



CITY OF
uMHLATHUZE
VISION INTO ACTION

City of uMhlathuze
Annual Financial Statements
for the year ended 30 June 2019

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2019

General Information

Nature of business and principal activities

Local government

Executive Committee

Executive Committee and MPAC

CLlr MG Mhlongo (Mayor)
CLlr KD Sibiya (Deputy Mayor)
CLlr SG Mkhize (Speaker)
CLlr M Lourens (Chief Whip)
CLlr LCM Fourie (Exco)
CLlr TS Gumede (Exco)
CLlr BC Mthembu (Exco)
CLlr K Mthethwa (Exco)
CLlr DJ Ndimande (Exco)
CLlr TM Phahla (Exco)
CLlr M Sookroo (Exco)
CLlr RM Zikhali (Exco)
CLlr SB Mabaso (Chairperson of section 79 MPAC)

Chief Finance Officer

Mr M Kunene

Accounting Officer

Dr NJ Sibeko

Registered Office

5 Mark Strasse
Central Business District
Richards Bay
3900

Business Address

5 Mark Strasse
Central Business District
Richards Bay
3900

Postal Address

Private Bag X1004
Richards Bay
3900

Bankers

ABSA

Auditors

Auditor-General South Africa
Registered Auditors

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2019

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COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
CIGFARO	Chartered Institute of Government Finance Audit and Risk Officer
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
MSCOA	Municipal Standard Chart Of Accounts
SALGA	South African Local Government Association

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2019

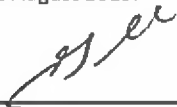
Accounting Officer's Responsibilities and Approval

The City of uMhlathuze, situated at 5 Mark Strasse, Richards Bay, is a category B Municipality, established in terms of section 12(1) of the Municipal Structures Act, 1998 (Act No. 117 of 1998) and published in terms of the Provincial Government Notice 346 on 19 September 2000. The Local Government operations of the Municipality are assigned by section 156 and 229 of the Constitution of the Republic of South Africa, 1996 (Act No 108 of 1996) and are defined specifically in terms of section 83 of the Municipal Structures Act 1998 (Act No.117 of 1998).

The annual financial statements set out on pages 4 to 62, which have been prepared on the going concern basis by the accounting officer in terms of section 126 (1) of the Municipal Finance Management Act, 2003 (Act No 56 of 2003) and were signed off accounting officer on 31 August 2019.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 27 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act, 1998 (Act No 20 of 1998) and the Minister of Provincial and Local Government's determination in accordance with this Act.

As required by Section 45 of the Municipal Systems Act, 2000 (Act No. 32 of 2000) and Section 121(4)(a) and (b) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) the Annual Financial Statements were submitted to the Auditor-General South Africa (AGSA) on 31 August 2019.



Dr NJ Sibeko
Accounting Officer

Richards Bay

31 August 2019

Auditor-General of South Africa

City of uMhlathuze

Auditor's report 2018-19

Report of the auditor-general to the KwaZulu-Natal Provincial Legislature and council on City of uMhlathuze

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the City of uMhlathuze set out on pages ... to ..., which comprise the statement of financial position as at 30 June 2019, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget information with actual information for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the City of uMhlathuze as at 30 June 2019, and its financial performance and cash flows for the year then ended in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2018 (Act No. 1 of 2018) (Dora).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.
4. I am independent of the municipality in accordance with sections 290 and 291 of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* and, parts 1 and 3 of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA codes) as well as the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA codes.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matters

6. I draw attention to the matters below.

Material impairment – receivables from non-exchange and exchange transactions

7. As disclosed in notes 4 and 5 to the financial statements, receivables from non-exchange and exchange transactions were impaired by a total of R128,42 million (2018: R43,12 million) and

R104,87 million (2018: R59,6 million) respectively, as a result of the annual review of the recoverability of the debt.

Restatement of corresponding figures

8. As disclosed in note 39 to the financial statements, the corresponding figures for 30 June 2018 were restated as a result of errors in the financial statements of the municipality at, and for the year ended, 30 June 2019.

Other matter

9. I draw attention to the matter below.

Unaudited disclosure notes

10. In terms of section 125(2)(e) of the MFMA, the municipality is required to disclose particulars of non-compliance with the MFMA in the financial statements. This disclosure requirement did not form part of the audit of the financial statements and, accordingly, I do not express an opinion on it.

Responsibilities of the accounting officer for the financial statements

11. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of the MFMA and Dora, and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
12. In preparing the financial statements, the accounting officer is responsible for assessing the City of uMhlathuze's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipality or to cease operations, or has no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

13. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
14. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

15. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof I have a responsibility to report material findings on the reported performance information against predetermined objectives for the selected key performance area presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
16. My procedures address the reported performance information, which must be based on the approved performance planning documents of the municipality. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
17. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the basic service delivery and infrastructure development key performance area presented in the annual performance report of the municipality for the year ended 30 June 2019.
18. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
19. I did not raise any material findings on the usefulness and reliability of the reported performance information for the basic service delivery and infrastructure development key performance area.

Other matter

20. I draw attention to the matter below.

Achievement of planned targets

21. The annual performance report on pages xx to xx includes information on the achievement of planned targets for the year.

Report on the audit of compliance with legislation

Introduction and scope

22. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the municipality with specific

matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

23. The material finding on compliance with specific matters in key legislation is as follows:

Procurement and contract management

24. Some of the invitations for competitive bidding were not advertised for a required minimum period of days, in contravention of the Municipal Supply Chain Management Regulations 22(1) and 22(2).

Other information

25. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and the selected key performance area presented in the annual performance report that has been specifically reported in this auditor's report.

26. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

27. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected key performance area presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

28. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

29. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.

30. The matter reported below is limited to the significant internal control deficiency that resulted in the finding on compliance with legislation included in this report.

31. Non-compliance with legislation could have been prevented had senior management improved their documentation controls to confirm compliance with applicable supply chain management prescripts.

Other reports

32. I draw attention to the following engagement conducted that had, or could have, an impact on the matters reported in the municipality's financial statements, reported performance information, compliance with applicable legislation and other related matters. This report did not form part of my opinion on the financial statements or my findings on compliance with legislation.
33. At the request of the municipality, an independent consultant investigated an allegation of a payment made to a supplier for goods and services that were not received in November 2018. Two employees were suspended pending the outcome of the investigation which was still in progress at the date of this report.

Auditor-General

Pietermaritzburg

31 January 2020



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general’s responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected key performance area and on the municipality’s compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor’s report, I also:
 - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
 - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality’s internal control
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer
 - conclude on the appropriateness of the accounting officer’s use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the City of uMhlathuze ’s ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor’s report. However, future events or conditions may cause a municipality to cease continuing as a going concern
 - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2019

Statement of Financial Position as at 30 June 2019

	Note(s)	2019 R	2018 Restated* R
Assets			
Current Assets			
Inventories	2	69 380 506	64 791 919
Current portion of long-term receivables	3	-	45 848
Receivables from non-exchange transactions	4	103 046 769	112 170 005
Receivables from exchange transactions	5	361 728 005	412 170 563
Cash and cash equivalents	6	461 154 733	460 422 240
		995 310 013	1 049 600 575
Non-Current Assets			
Investment property	7	86 798 936	87 333 174
Property, plant and equipment	8	6 205 475 195	6 225 646 400
Intangible assets	9	116 081 094	63 504 225
Heritage assets	10	2 464 611	2 766 994
		6 410 819 836	6 379 250 793
Total Assets		7 406 129 849	7 428 851 368
Liabilities			
Current Liabilities			
Other financial liabilities	11	87 792 565	145 258 677
Payables from exchange transactions	12	405 127 696	485 748 893
VAT payable	48	14 327 754	10 601 503
Consumer deposits	13	65 555 956	61 828 894
Unspent conditional grants and receipts	14	10 800 509	15 676 399
Provisions	15	16 518 380	15 176 264
		600 122 860	734 290 630
Non-Current Liabilities			
Other financial liabilities	11	614 841 385	394 165 665
Employee benefit obligation	16	224 236 000	220 079 000
		839 077 385	614 244 665
Total Liabilities		1 439 200 245	1 348 535 295
Net Assets		5 966 929 604	6 080 316 073
Accumulated surplus	17	5 966 929 604	6 080 316 073

* See Note 39

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2019

Statement of Financial Performance for the year ended 30 June 2019

		2019	2018
	Note(s)	R	Restated* R
Revenue			
Revenue from exchange transactions			
Service charges	18	1 890 432 000	1 823 519 981
Rental of facilities and equipment		10 275 798	8 722 479
Interest earned - outstanding debtors		129 852	102 819
Agency services		6 406 951	6 356 294
Licences and permits		3 899 939	3 876 502
Operational revenue	19	54 989 088	57 711 624
Interest received - investment	20	27 999 016	76 055 871
Actuarial gains	16	19 712 000	157 558 526
Gain on disposal of land	33	-	652 684
Total revenue from exchange transactions		2 013 844 644	2 134 556 780
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	21	477 137 969	442 660 780
Property rates - penalties imposed	21	3 280 389	2 013 216
Surcharges and Taxes	46	4 072 533	4 492 333
Transfer revenue			
Transfers and subsidies	22	456 427 945	463 327 707
Public contributions and donations	23	2 102 809	3 972 232
Fines, Penalties and Forfeits		76 478 848	7 848 582
Total revenue from non-exchange transactions		1 019 500 493	924 314 850
Total revenue		3 033 345 137	3 058 871 630
Expenditure			
Employee related costs	24	758 128 805	700 888 831
Remuneration of councillors	25	30 394 989	29 341 691
Post-employment benefit expenses	16	23 869 000	45 105 789
Depreciation and amortisation	26	464 233 772	348 560 825
Impairment loss		8 424 712	-
Finance costs	27	51 286 016	67 690 845
Debt Impairment	28	163 733 092	27 153 878
Collection costs		1 998 049	2 142 943
Bulk purchases	29	1 010 855 149	962 387 727
Contracted services	30	312 392 114	288 507 777
Transfers and subsidies	31	15 781 690	11 517 223
Loss on disposal of assets and liabilities		11 689 152	1 449 010
Operating expenses	32	293 945 065	283 871 173
Total expenditure		3 146 731 605	2 768 617 712
(Deficit) / Surplus for the year		(113 386 468)	290 253 918

* See Note 39

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2019

Statement of Changes in Net Assets for the year ended 30 June 2019

	Accumulated surplus R	Total net assets R
Restated* Balance at 01 July 2017	5 790 062 155	5 790 062 155
Changes in net assets		
Surplus for the year	290 253 918	290 253 918
Total changes	<u>290 253 918</u>	<u>290 253 918</u>
Restated* Balance at 01 July 2018	6 080 316 072	6 080 316 072
Changes in net assets		
Surplus for the year	(113 386 468)	(113 386 468)
Total changes	<u>(113 386 468)</u>	<u>(113 386 468)</u>
Balance at 30 June 2019	<u>5 966 929 604</u>	<u>5 966 929 604</u>

* See Note 39

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2019

Cash Flow Statement for the year ended 30 June 2019

	Note(s)	2019 R	2018 Restated* R
Cash flows from operating activities			
Receipts			
Sale of goods and services		1 861 590 684	1 836 734 793
Grants		464 924 947	467 299 940
Interest income		27 999 016	76 055 871
Other receipts		544 237 004	520 466 999
		<u>2 898 751 651</u>	<u>2 900 557 603</u>
Payments			
Employee costs		(754 289 172)	(700 888 831)
Suppliers		(1 739 766 453)	(1 731 951 591)
Finance costs		(51 286 016)	(67 690 845)
		<u>(2 545 341 641)</u>	<u>(2 500 531 267)</u>
Net cash flows from operating activities	35	<u>353 410 010</u>	<u>400 026 336</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(461 900 627)	(463 625 608)
Proceeds from sale of property, plant and equipment	8	759 300	-
Purchase of investment property	7	-	(113 500)
Purchase of other intangible assets	9	(54 745 798)	(35 508 954)
Non-current receivables		-	32 736
Proceed from sale of land		-	680 000
Net cash flows from investing activities		<u>(515 887 125)</u>	<u>(498 535 326)</u>
Cash flows from financing activities			
Proceeds from other financial liabilities		310 000 000	-
Repayment of long-term liabilities		(146 790 392)	(156 184 529)
Net cash flows from financing activities		<u>163 209 608</u>	<u>(156 184 529)</u>
Net increase/(decrease) in cash and cash equivalents		732 493	(254 693 519)
Cash and cash equivalents at the beginning of the year		460 422 240	715 115 759
Cash and cash equivalents at the end of the year	6	<u>461 154 733</u>	<u>460 422 240</u>

* See Note 39

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2019

Statement of Budget Comparison and Actual Amounts for the year ended 30 June 2019

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	2 097 369 100	(79 192 100)	2 018 177 000	1 890 432 000	(127 745 000)	93.67 %
Rental of facilities and equipment	8 448 800	149 800	8 598 600	10 275 798	1 677 198	119.51 %
Interest earned - outstanding debtors	3 397 900	(3 312 200)	85 700	129 852	44 152	151.52 %
Agency services	7 796 500	(2 000 000)	5 796 500	6 406 951	610 451	110.53 %
Licences and permits	3 807 500	(500 000)	3 307 500	3 899 939	592 439	117.91 %
Operational income	43 874 700	(3 584 300)	40 290 400	54 989 088	14 698 688	136.48 %
Interest received - investment	55 000 000	-	55 000 000	27 999 016	(27 000 984)	50.91 %
Gains on disposal of assets	-	759 300	759 300	-	(759 300)	- %
Total revenue from exchange transactions	2 219 694 500	(87 679 500)	2 132 015 000	1 994 132 644	(137 882 356)	94
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	474 453 400	21 279 000	495 732 400	477 137 969	(18 594 431)	96.25 %
Property rates - penalties imposed	-	-	-	3 280 389	3 280 389	- %
Surcharges and Taxes	-	-	-	4 072 533	4 072 533	- %
Transfer revenue						
Government grants & subsidies	485 862 100	(1 653 000)	484 209 100	456 427 945	(27 781 155)	94.26 %
Public contributions and donations	-	-	-	2 102 809	2 102 809	- %
Fines, Penalties and Forfeits	4 087 300	3 610 900	7 698 200	76 478 848	68 780 648	993.46 %
Total revenue from non-exchange transactions	964 402 800	23 236 900	987 639 700	1 019 500 493	31 860 793	104%
Total revenue	3 184 097 300	(64 442 600)	3 119 654 700	3 013 633 137	(106 021 563)	97%
Expenditure						
Remuneration of employees	(812 123 200)	2 105 700	(810 017 500)	(758 128 805)	51 888 695	93.59 %
Remuneration of councillors	(31 880 800)	393 100	(31 487 700)	(30 394 989)	1 092 711	96.53 %
Post employment benefits	-	-	-	(23 869 000)	(23 869 000)	- %
Depreciation and amortisation	(376 066 000)	-	(376 066 000)	(464 233 772)	(88 167 772)	123.44 %
Impairment loss/ Reversal of impairments	-	-	-	8 424 712	8 424 712	- %
Finance costs	(67 884 000)	8 525 500	(59 358 500)	(51 286 016)	8 072 484	86.40 %
Debt Impairment	(26 512 500)	(3 217 000)	(29 729 500)	(163 733 092)	(134 003 592)	550.74 %
Collection costs	-	-	-	(1 998 049)	(1 998 049)	- %
Repairs and maintenance	(426 963 700)	(66 528 600)	(493 492 300)	(396 124 692)	97 367 608	80.27 %
Bulk purchases	(1 000 945 200)	26 219 500	(974 725 700)	(1 010 855 149)	(36 129 449)	103.71 %
Transfers and Subsidies	(12 533 600)	(2 645 500)	(15 179 100)	(15 781 690)	(602 590)	103.97 %
Operating expenses	(261 587 500)	2 330 500	(259 257 000)	(227 061 911)	32 195 089	87.58 %
Total expenditure	(3 016 496 500)	(32 816 800)	(3 049 313 300)	(3 135 042 453)	(85 729 153)	103.00

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2019

Statement of Budget Comparison and Actual Amounts for the year ended 30 June 2019

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Operating deficit	167 600 800	(97 259 400)	70 341 400	(121 409 316)	(191 750 716)	
Loss on disposal	-	-	-	(11 689 152)	(11 689 152)	- %
Actuarial gains/losses	-	-	-	19 712 000	19 712 000	- %
	-	-	-	8 022 848	8 022 848	-
Deficit before taxation	167 600 800	(97 259 400)	70 341 400	(113 386 468)	(183 727 868)	-
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	167 600 800	(97 259 400)	70 341 400	(113 386 468)	(183 727 868)	-

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2019

Statement of Budget Comparison and Actual Amounts for the year ended 30 June 2019

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Statement of Financial Position						
Assets						
Current Assets						
Inventories	80 641 542	(3 773 276)	76 868 266	69 380 506	(7 487 760)	90.26 %
Long-term Receivables	34 071	-	34 071	-	(34 071)	- %
Receivables from non-exchange transactions	33 479 018	-	33 479 018	103 046 769	69 567 751	307.80 %
Receivables from exchange transactions	456 032 762	(21 922 094)	434 110 668	361 728 005	(72 382 663)	83.33 %
Cash and cash equivalents	638 748 217	(112 897 424)	525 850 793	461 154 733	(64 696 060)	87.70 %
	1 208 935 610	(138 592 794)	1 070 342 816	995 310 013	(75 032 803)	93.19 %
Non-Current Assets						
Investment property	124 144 438	(780 832)	123 363 606	86 798 936	(36 564 670)	70.36 %
Property, plant and equipment	5 515 085 754	43 006 533	5 558 092 287	6 205 475 195	647 382 908	111.65 %
Intangible assets	89 675 774	35 989 271	125 665 045	116 081 094	(9 583 951)	92.37 %
Heritage assets	3 011 994	-	3 011 994	2 464 611	(547 383)	81.83 %
Long-term Receivables	23 513	-	23 513	-	(23 513)	- %
	5 731 941 473	78 214 972	5 810 156 445	6 410 819 836	600 663 391	114.75 %
Total Assets	6 940 877 083	(60 377 822)	6 880 499 261	7 406 129 849	525 630 588	111.40 %
Liabilities						
Current Liabilities						
Other financial liabilities	84 326 087	-	84 326 087	87 792 565	3 466 478	104.11 %
Payables from exchange transactions	482 468 000	122 546 365	605 014 365	405 127 697	(199 886 668)	66.96 %
VAT payable	-	-	-	14 327 754	14 327 754	- %
Consumer deposits	52 876 045	2 961 058	55 837 103	65 555 956	9 718 853	117.41 %
Unspent conditional grants and receipts	11 629 158	-	11 629 158	10 800 509	(828 649)	92.87 %
Provisions	25 877 822	(10 701 558)	15 176 264	16 518 380	1 342 116	108.84 %
	657 177 112	114 805 865	771 982 977	600 122 861	(171 860 116)	77.74 %
Non-Current Liabilities						
Other financial liabilities	608 786 998	-	608 786 998	614 841 385	6 054 387	101.0 %
Employee benefit obligation	337 416 981	(93 946 981)	243 470 000	224 236 000	(19 234 000)	92.1 %
	946 203 979	(93 946 981)	852 256 998	839 077 385	(13 179 613.0)	98.5 %
Total Liabilities	1 603 381 091	20 858 884	1 624 239 975	1 439 200 246	(185 039 729)	88.61 %
Net Assets	5 337 495 992	(81 236 706)	5 256 259 286	5 966 929 603	710 670 317	113.52 %

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2019

Statement of Budget Comparison and Actual Amounts for the year ended 30 June 2019

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Net Assets						
Reserves						
Capital replacement reserve	369 182 715	-	369 182 715	366 496 778	(2 685 937)	99.27 %
Accumulated surplus	4 968 313 277	(81 236 706)	4 887 076 571	5 600 432 825	713 356 254	114.60 %
Total Net Assets	5 337 495 992	(81 236 706)	5 256 259 286	5 966 929 603	710 670 317	113.52 %

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2019

Statement of Budget Comparison and Actual Amounts for the year ended 30 June 2019

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Property rates	464 964 332	20 853 420	485 817 752	460 913 399	(24 904 353)	94.87 %
Service charges	1 957 075 975	(65 547 889)	1 891 528 086	1 861 590 684	(29 937 402)	98.42 %
Grants	485 862 100	(1 653 000)	484 209 100	464 924 947	(19 284 153)	96.02 %
Interest income	58 397 900	(3 312 200)	55 085 700	27 999 016	(27 086 684)	50.83 %
Other receipts	64 867 524	823 676	65 691 200	83 323 605	17 632 405	126.84 %
	3 031 167 831	(48 835 993)	2 982 331 838	2 898 751 651	(83 580 187)	97.20 %
Payments						
Employee costs	(825 304 360)	-	(825 304 360)	(754 289 172)	71 015 188	91.40 %
Suppliers	(1 703 744 876)	(67 840 568)	(1 771 585 444)	(1 739 766 453)	31 818 991	98.20 %
Finance costs	(67 884 000)	8 525 500	(59 358 500)	(51 286 016)	8 072 484	86.40 %
	(2 596 933 236)	(59 315 068)	(2 656 248 304)	(2 545 341 641)	110 906 663	95.82 %
Net cash flows from operating activities	434 234 595	(108 151 061)	326 083 534	353 410 010	27 326 476	
Cash flows from investing activities						
Purchase of property, plant and equipment	(525 178 722)	(17 731 663)	(542 910 385)	(461 900 627)	81 009 758	85.08 %
Proceeds from sale of property, plant and equipment	-	-	-	759 300	759 300	- %
Purchase of other intangible assets	-	-	-	(54 745 798)	(54 745 798)	- %
Net cash flows from investing activities	(525 178 722)	(17 731 663)	(542 910 385)	(515 887 125)	27 023 260	95.02 %
Cash flows from financing activities						
Proceeds from financial liabilities	310 000 000	-	310 000 000	310 000 000	-	
Repayment of other financial liabilities	(156 184 530)	4 485 930	(151 698 600)	(146 790 392)	4 908 208	
Movement in consumer deposits	-	8 500 000	8 500 000	-	(8 500 000)	
Net cash flows from financing activities	153 815 470	12 985 930	166 801 400	163 209 608	(3 591 792)	
Net increase/(decrease) in cash and cash equivalents	62 871 343	(112 896 794)	(50 025 451)	732 493	50 757 944	(1.46)%
Cash and cash equivalents at the beginning of the year	466 876 244	-	466 876 244	460 422 240	(6 454 004)	98.62 %
Cash and cash equivalents at the end of the year	529 747 587	(112 896 794)	416 850 793	461 154 733	44 303 940	110.63 %

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2019

Statement of Budget Comparison and Actual Amounts for the year ended 30 June 2019

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Capital expenditure						
Community and Social Services	55 463 300	6 608 300	62 071 600	44 247 392	(17 824 208)	71.28 %
Electricity	85 472 000	10 300 500	95 772 500	81 615 831	(14 156 669)	85.22 %
Environmental protection	200 000	38 500	238 500	187 049	(51 451)	78.43 %
Planning and Development	3 952 500	885 500	4 838 000	882 033	(3 955 967)	18.23 %
Public Safety	559 000	(60 000)	499 000	358 115	(140 885)	71.77 %
Sport and Recreation	24 958 400	1 901 700	26 860 100	15 638 412	(11 221 688)	58.22 %
Waste Management	1 700 000	1 315 200	3 015 200	3 241 963	226 763	107.52 %
Waste Water Management	48 123 200	1 092 000	49 215 200	79 744 537	30 529 337	162.03 %
Water	68 773 200	1 936 800	70 710 000	75 224 494	4 514 494	106.38 %
Road Transport	133 723 200	8 129 200	141 852 400	92 482 331	(49 370 069)	65.20 %
Finance and administration	102 236 000	29 019 900	131 255 900	125 414 794	(5 841 106)	95.55 %
Total expenditure	525 160 800	61 167 600	586 328 400	519 036 951	(67 291 449)	88.52%

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies for the year ended 30 June 2019

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003) with the exception of certain accounting policies adopted in accordance with International Accounting Standards (IAS).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below:

- GRAP 1 Presentation of Financial Statement
- GRAP 2 Cash Flow Statements
- GRAP 3 Accounting Policies, Changes in Accounting Estimates and Error
- GRAP 5 Borrowing Costs
- GRAP 6 Consolidated and Separate Financial Statements
- GRAP 9 Revenue from Exchange Transactions
- GRAP 12 Inventories
- GRAP 13 Leases
- GRAP 14 Events after the Reporting Date
- GRAP 16 Investment property
- GRAP 17 Property, Plant and Equipment
- GRAP 19 Provisions, Contingent Liabilities and Contingent Asset
- GRAP 21 Impairment of non-cash generating asset
- GRAP 23 Revenue from Non-exchange transactions
- GRAP 24 Presentation of budget information
- GRAP 25 Employee benefits
- GRAP 26 Impairment of cash generating assets
- GRAP 31 Intangible Assets
- GRAP 100 Non-Current Assets Held for Sale and Discontinued Operations
- GRAP 103 Heritage Assets
- GRAP 104 Financial Instruments
- GRAP 106 Transfer of Functions between entities not under common Control

The following GRAP standards have been issued but are not yet effective and have not been adopted early by the Municipality:

- GRAP 18 Segment Reporting (Effective 1 April 2019)
- GRAP 20 Related Party Disclosures (Effective 1 April 2019)
- GRAP 32 Standard of GRAP on Service Concession Arrangements: Grantor (Effective 1 April 2019)
- GRAP 108 Statutory Receivables (Effective 1 April 2019)
- GRAP 109 Accounting by Principals and Agents (Effective 1 April 2019)

The following GRAP standards have been issued and effective but are not applicable to the Municipality.

- GRAP 4 The effects of changes in foreign exchange rates
- GRAP 6 Consolidated and separate financial statements
- GRAP 7 Investments in associate
- GRAP 8 Interest in joint ventures
- GRAP 10 Financial reporting in hyperinflationary economics
- GRAP 27 Agriculture

1.1 Presentation currency

These annual financial statements are presented in South African Rand. The figures are rounded off to the nearest rand.

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies for the year ended 30 June 2019

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the Municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.4 Significant judgements and sources of estimation uncertainty

The preparation of the Municipality's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgements

In the process of applying the Municipality's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements.

Operating lease – Municipality as lessor

The Municipality has entered into commercial property leases on its investment property portfolio. The Municipality has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are as follows:

Depreciation and impairment

The Municipality depreciates its assets over their estimated useful lives taking into account residual values, where appropriate. The appropriateness of its assets' estimated useful lives, residual values and their depreciation methods are re-assessed on an annual basis. The actual lives of these assets and their respective residual values may vary depending on a variety of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account.

Management used their judgement in applying the internal and external impairment indicators to its assets. No impairment indicators were identified and as such the recoverable amounts of the aforementioned assets was not calculated.

Customer receivables

At year-end management makes an estimate of the amount of total outstanding customer debt that it expects to hand over to external debt collectors and the total subsequent receipts it expects to receive after year end. In addition, management estimates the amounts that it expects to recover from outstanding balances handed over based upon the age profile of debts handed over and based on prior experience and trends. A provision for impairment is raised based on these estimates. A detailed breakdown of the student fee receivable is provided in note 3.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 15 - Provisions.

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies for the year ended 30 June 2019

1.4 Significant judgements and sources of estimation uncertainty (continued)

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The Municipality determines the appropriate discount rate every two years. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 16.

1.5 Comparative figures

Prior year Comparative

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

Current year Comparative

Budgeted amounts have been included in the annual financial statements for the current financial year only.

1.6 Property, plant and equipment

Initially recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

Infrastructure assets in particular are those that are part of a system or network, specialized in nature and do not have alternative uses, immovable and maybe subject to constraints on disposal.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality.

Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset is measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Subsequent measurement

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies for the year ended 30 June 2019

1.6 Property, plant and equipment (continued)

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured.

Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it de-recognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment, are measured at cost (or deemed cost), less accumulated depreciation and accumulated impairment losses. Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

Depreciation

Land is not depreciated as it is regarded as having an indefinite life. Depreciation on assets other than land is calculated on cost, using the straight-line method, to allocate their cost to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality on each asset.

Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciation rates are based on the following estimated useful lives.

The Municipality assesses at each reporting date whether there is any indication that the entity's expectations about the residual value and useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value. The change(s) are accounted for in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

Depreciation only commences when the asset is available for use.

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the Municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The Municipality assesses at each reporting date whether there is any indication that the Municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the Municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the Municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The Municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 8).

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies for the year ended 30 June 2019

1.6 Property, plant and equipment (continued)

The Municipality discloses relevant information relating to assets that are work in progress, in the notes to the financial statements (see note 8).

The table below shows the depreciation methods and average useful lives.

Buildings	Straight line	30 years
Roads and paving	Straight line	15-65 years
Watercraft	Straight line	15 year
Furniture and fixtures	Straight line	7 years
Motor vehicles	Straight line	3-7 years
Office equipment	Straight line	3-5 years
Pedestrian bridges	Straight line	30 years
Electricity infrastructure	Straight line	20-30 years
Community	Straight line	5-30 years
Water infrastructure	Straight line	15-65 years
Sewerage infrastructure	Straight line	15-30 years
Housing	Straight line	30 years
Specialised plant and equipment	Straight line	10-15 years
Bins and containers	Straight line	5-10 years
Other property, plant and equipment	Straight line	2-5 years
Specialised vehicles	Straight line	10 years

Derecognition

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.7 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Operating leases - lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Leased assets are classified as investment property measured at cost model and depreciation on leased assets has been calculated in accordance with GRAP 17 Property, plant and equipment.

Operating leases - lessee

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease expenses are recognised on a straight-line basis over the lease term.

1.8 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies for the year ended 30 June 2019

1.8 Impairment of cash-generating assets (continued)

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the Municipality; or
- the number of production or similar units expected to be obtained from the asset by the Municipality.

In assessing whether there is any indication that an asset may be impaired, the following have been considered:

External sources of information

- Cessation or near cessation, of the demand or need for services provided by the asset;
- Significant long-term changes with an adverse effect on the entity that have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the municipality operates.

Internal sources of information

- Evidence of physical damage of an asset;
- Increased expenditure on repairs and maintenance on the asset.

Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the carrying amount exceeds the recoverable amount. The recoverable amount is the higher of the assets Fair Value less cost to sell, or its value in use.

1.9 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies for the year ended 30 June 2019

1.9 Impairment of non-cash-generating assets (continued)

Useful life is either:

- the period of time over which an asset is expected to be used by the Municipality; or
- the number of production or similar units expected to be obtained from the asset by the Municipality.

In assessing whether there is any indication that an asset may be impaired, the following have been considered:

External sources of information

- Cessation or near cessation, of the demand or need for services provided by the asset;
- Significant long-term changes with an adverse effect on the entity that have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the municipality operates.

Internal sources of information

- Evidence of physical damage of an asset;
- Increased expenditure on repairs and maintenance on the asset.

Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or circumstances indicate that the serviceable amount may not be recoverable.

An impairment loss is recognised for the amount by which the carrying amount exceeds the recoverable service amount.

The recoverable service amount is the higher of the assets fair value less cost to sell, or its value in use.

The value in use is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

1.10 Intangible assets

The Municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 9).

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licenses and development costs.

An asset is identifiable when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability, or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the Municipality or from other rights and obligations.

Initial recognition

The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or the service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the Municipality intends to complete the intangible asset for use or sale
- the Municipality has the ability to use or sell the asste
- the Municipality can reliably measure expenditure during development
- it is technically feasible to complete the intangible asset
- the Municipality has the resources to complete the project, and
- it is probable that the Municipality will receive future economic benefits or service potential

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Internally generated intangible assets are subject to strict recognition criteria before they are capitalised.

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies for the year ended 30 June 2019

1.10 Intangible assets (continued)

Intangible assets are initially recognised at cost. Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Amortisation and impairment

The cost of an intangible asset is amortised over the useful life of 3 - 7 years.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

Subsequent measurement

Intangible assets are carried at its cost less any accumulated amortisation and any accumulated impairment losses.

Derecognition

An intangible asset is derecognised when it is permanently withdrawn from use and no future economic benefit or service potential is derived from it. The gain or loss arising from the disposal of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset. It is recognised in surplus or deficit when the intangible asset is derecognised.

1.11 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the Municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

The nature OR type of properties classified as held for strategic purposes are as follows:

The Municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 7).

The Municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note 7).

Initial recognition

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies for the year ended 30 June 2019

1.11 Investment property (continued)

Investment property is recognised as an asset, only where:

- It is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity; and
- The cost or fair value of the investment property can be measured reliably.

Investment properties have been initially measured at cost (Transaction costs shall be included in this initial measurement). Transaction costs are costs which are directly attributable to the expenditure, for example professional fees for legal services, conveyancing fees, property transfer taxes and other transaction costs shall be included in this initial measurement.

If payment for investment property is deferred, its cost is the cash price equivalent.

The difference between this amount and the total payments is recognised as interest expense over the period of credit.

Subsequent measures

Subsequently investment properties are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is calculated on cost, using the straight-line method over the useful life of the property. Buildings held under Investment property are depreciated on an average useful life of 30 years. Vacant land held under investment properties is not depreciated.

Derecognition

An investment property is derecognised upon disposal, or when it is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal. Any gain or loss arising from the retirement or disposal of investment property is included in surplus or deficit in the period of the retirement or disposal.

1.12 Inventories

Consumable stores, unsold water, and land held for sale are valued at the lower of cost and net realisable value.

In general, the basis of determining cost is the first-in, first-out method.

For the land component recognised in terms of GRAP 12 land is recognised at cost with the cost based on fair value at date of recognition.

Redundant and slow-moving inventories are identified and written down to current replacement cost.

1.13 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered/goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue in the period of consumption. Where meters cannot be read during a particular month, they are provisionally billed with the necessary adjustments made in the month in which they were read. Revenue from the sale of electricity prepaid meter cards is deferred and recognised as revenue on the consumption basis, commencing on date of purchase.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied.

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies for the year ended 30 June 2019

1.13 Revenue from exchange transactions (continued)

Service charges from sewerage are based on the water consumption on each developed property using the tariffs approved from Council and are levied monthly.

Interest and rentals are recognised on a time apportionment basis. Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariffs. This includes the issuing of licences and permits.

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Revenue from the sale of goods is recognised when the risks and rewards of ownership of the goods is passed to the consumer.

Revenue from exchange transactions is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts allowed by the Municipality.

1.14 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when it is accrued. Spot fines are usually not given directly to the offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect to summon, the Public Prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use furthermore Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality.

Where public contributions have been received but the Municipality has not met the related conditions, a deferred income (liability) is recognised.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible Councillors or officials is virtually certain.

The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

1.15 Provisions and contingencies

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting sheet date and adjusted to reflect the current best estimate. Contingent Liabilities and Assets are not recognized but disclosed.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies for the year ended 30 June 2019

1.16 Housing development fund

Housing selling schemes both complete and in progress at 1 April 1998, were also transferred to the Housing Development Fund. All proceeds from housing developments, which include rental income and sales of houses, is paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund are used to finance housing developments within the municipal area. Any transfers to and from the fund are recognized in the statement of changes in net assets.

1.17 Retirement benefits

The Municipality provides post-retirement medical aid benefits to retired employees. The entitlement to these benefits is usually conditional on the employee remaining in employment up to retirement age.

An actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions.

The Expected costs of these benefits are accrued over the period of employment. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized immediately in the statement of financial performance for the reporting period. The Defined benefit obligations are valued once in two years by independent qualified actuaries.

1.18 Borrowing costs

Borrowing costs incurred are recognised as an expense in the Statement of Financial Performance in the period in which they are incurred in accordance with GRAP 5.

1.19 Financial instruments

Classification

The Municipality has types of financial instruments and these can be broadly categorised as either Financial Assets or Financial Liabilities.

Subsequent measurement of financial assets and financial liabilities

Financial assets are categorised according to their nature as financial assets at amortised costs and financial liabilities are categorized as financial liabilities carried at amortised cost in accordance with GRAP 104.

Financial assets

The classification of financial assets depends on their nature and purpose, and is determined at the time of initial recognition.

Trade and other receivables

Trade and other receivables are categorised as financial assets: loans and receivables including statutory receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year end. The fair value of Debtors is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off.

Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

Cash and cash equivalents

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies for the year ended 30 June 2019

1.19 Financial instruments (continued)

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The Municipality categorises cash and cash equivalents as Financial assets: loans and receivables. The closing balance on the bank account is representative of its fair value of the monies held.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as Financial liabilities: other financial liabilities carried at amortised cost.

Financial liabilities

Trade and other payables from exchange transactions

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest. The fair value of creditors is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Borrowings and other financial liabilities

Borrowings are recognised initially at fair value, net transaction costs incurred. Borrowings are subsequently stated at amortised cost. Long-term borrowings are non-derivative financial loans and the Municipality does not hold financial loans for trading purposes. Long-term borrowings are utilised. Other financial liabilities are carried at amortised cost.

The interbank rate or prime lending rate is not the risk-free interest rate, however it has been used as a benchmark for determining the market related rate of interest which is not significantly different to the current rates on long-term loans, hence the fair value of these loans equates their amortised cost.

1.20 Heritage assets

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and is held and preserved indefinitely for the benefit of present and future generations. A heritage asset shall be recognised as an asset if, and only if,

- (a) It is probable that the economic benefit or service potential will flow to the Municipality,
- (b) The cost or the fair value will be measured reliably.

The Municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 11).

The Municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 11).

Initial measurement

A heritage asset that qualifies for recognition as an asset shall be measured at its cost (Cash price equivalent at the recognition date). Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies for the year ended 30 June 2019

1.20 Heritage assets (continued)

Subsequent measurement

Heritage assets are not depreciated, since their long economic life and high residual value mean that any depreciation would be immaterial.

After recognition as an asset, heritage assets shall be carried at its cost less any accumulated impairment losses. The Municipality assesses at each reporting date whether there are any indicators of impairment of Heritage assets.

Where there is an indication of impairment the assets are recorded at their recoverable amount or their recoverable service amount.

Derecognition

A Heritage asset is de-recognised when it is disposed or where there is no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from de-recognition, is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognized.

1.21 Short term benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

1.22 Grants in aid

The Municipality donates money, goods or services to individuals, organisations and other sectors of government from time to time. When making these donations, the Municipality does not:

- Receive any goods or services directly in return as would be expected in a purchase or sale transaction;
- Expect to be repaid in future; or
- Expect a financial return, as would be expected from an investment.

These transfers are recognized in the statement of financial performance as expenses in the period during which events giving rise to the transfer occurred.

1.23 Budget information

The budget is prepared on an accrual basis. The budget amounts are scheduled as a separate additional financial statement called the statement of comparison of budget and actual amounts.

Explanatory comments are provided in the notes to the annual financial statements, first stating reasons for changes from approved to final budget and secondly reasons for overspending or underspending on line items.

1.24 Unauthorised expenditure

Unauthorized expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003).

1.25 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies for the year ended 30 June 2019

1.26 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.27 Value-added Tax

VAT

The Municipality accounts for Value Added Tax on payments basis. This means that VAT is declared to the South African Revenue Services as input VAT or output VAT only when payments are made to suppliers or payments are received for goods or services. The net output VAT on debtors where money has not been received or creditors where payment has not been made is disclosed separately in the Statement of Financial Position in terms of GRAP 1.

1.28 Internal reserves

Capital replacement reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/(deficit) to the CRR. A corresponding amount is transferred to a designated CRR bank or investment account. The cash in the designated CRR bank account can only be utilised to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/(deficit) is credited by a corresponding amount when the amounts in the CRR are utilised.

The following guidelines are set for the creation and utilisation of the CRR:

- 1) The cash funds that back up the CRR are invested until utilised.
- 2) The CRR may only be utilised for purchasing items of property, plant and equipment, and not their maintenance, unless otherwise directed by Council.
- 3) Whenever an asset is purchased out of the CRR, an amount equal to the cost price of the asset is transferred from CRR and accumulated surplus is credited by a corresponding amount.

1.29 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The Municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The Municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements for the year ended 30 June 2019

	2019 R	2018 R
2. Inventories		
Consumable stores	19 581 006	15 115 767
Water	1 744 500	1 621 152
Land	48 055 000	48 055 000
	69 380 506	64 791 919
3. Long-term Receivables		
At amortised cost		
Study loans	-	45 848
Current assets		
At amortised cost	-	45 848
4. Receivables from non-exchange transactions		
Fines	101 235 490	29 121 218
Rates	77 419 856	62 126 128
Amounts paid in advance	8 595 497	7 983 950
Other receivables from non-exchange revenue	44 213 273	55 356 456
Impairment - Rates	(36 500 000)	(21 637 738)
Impairment - Fines	(91 917 347)	(20 780 009)
	103 046 769	112 170 005
Rates		
Current 0 - 30 days	40 868 272	31 636 337
31-60 days	3 691 358	3 683 885
61-90 days	1 981 689	1 807 306
91-120 days	1 411 438	1 642 059
121-360 days	13 694 353	12 017 053
361 + days	15 772 746	11 339 488
	77 419 856	62 126 128
Fines		
Current 0 - 30 days	5 084 650	628 400
31-60 days	7 700 400	568 625
61-90 days	3 863 600	583 375
91-120 days	6 979 500	560 950
121-360 days	53 914 250	5 357 178
361 + days	23 693 090	21 422 690
	101 235 490	29 121 218
Reconciliation of provision for impairment of receivables from non-exchange transactions		
Opening Balance	(43 116 953)	(44 980 003)
Contribution	(86 231 236)	(9 057 997)
Write Off	930 842	10 921 047
	(128 417 347)	(43 116 953)

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements for the year ended 30 June 2019

	2019 R	2018 R
5. Receivables from exchange transactions		
Gross balances		
Electricity	180 666 305	169 964 930
Water	207 992 818	227 295 801
Sewerage	18 569 118	17 472 821
Refuse	13 172 162	11 426 612
Sundry debtors	34 704 545	34 739 414
Housing rental	11 494 676	10 870 985
	466 599 624	471 770 563
Less: Allowance for impairment		
Electricity	(25 700 000)	(15 700 000)
Water	(70 871 619)	(38 200 000)
Sewerage	(4 700 000)	(3 400 000)
Refuse	(3 600 000)	(2 300 000)
	(104 871 619)	(59 600 000)
Net balance		
Electricity	154 966 305	154 264 930
Water	137 121 199	189 095 801
Sewerage	13 869 118	14 072 821
Refuse	9 572 162	9 126 612
Sundry debtors	34 704 545	34 739 414
Housing rental	11 494 676	10 870 985
	361 728 005	412 170 563
Electricity		
Current (0 -30 days)	154 963 581	149 767 527
31 - 60 days	12 328 643	10 135 290
61 - 90 days	1 442 635	1 267 538
91 - 120 days	1 045 810	877 511
121 - 365 days	5 328 615	5 346 369
> 365 days	5 557 021	2 570 695
	180 666 305	169 964 930
Water		
Current (0 -30 days)	84 033 675	75 955 486
31 - 60 days	14 809 088	16 709 829
61 - 90 days	7 627 122	14 866 334
91 - 120 days	7 741 392	17 562 029
121 - 365 days	30 722 432	30 139 398
> 365 days	63 059 109	72 062 725
	207 992 818	227 295 801

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements for the year ended 30 June 2019

	2019 R	2018 R
5. Receivables from exchange transactions (continued)		
Sewerage		
Current (0 -30 days)	10 099 639	8 354 003
31 - 60 days	1 195 403	1 360 598
61 - 90 days	771 610	607 487
91 - 120 days	533 703	539 088
121 - 365 days	2 542 717	3 280 608
> 365 days	3 426 046	3 331 037
	18 569 118	17 472 821
Refuse		
Current (0 -30 days)	7 557 225	6 028 225
31 - 60 days	800 889	740 400
61 - 90 days	508 715	437 382
91 - 120 days	404 228	372 173
121 - 365 days	1 990 882	2 089 599
> 365 days	1 910 223	1 758 833
	13 172 162	11 426 612
Sundry debtors		
Current (0 -30 days)	9 490 974	222 865
31 - 60 days	1 400 751	(1 753 650)
61 - 90 days	666 334	966 839
91 - 120 days	511 572	1 368 084
121 - 365 days	7 254 784	3 007 884
> 365 days	15 380 130	30 927 392
	34 704 545	34 739 414
Rental		
Current (0 -30 days)	1 398 483	1 077 485
31 - 60 days	226 579	162 602
61 - 90 days	170 330	159 890
91 - 120 days	164 973	165 703
121 - 365 days	1 339 323	2 043 715
> 365 days	8 194 988	7 261 590
	11 494 676	10 870 985

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements for the year ended 30 June 2019

	2019 R	2018 R
5. Receivables from exchange transactions (continued)		
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	76 999 499	185 546 787
31 - 60 days	4 992 277	13 857 818
61 - 90 days	4 304 970	16 589 002
91 - 120 days	5 674 393	1 611 351
121 - 365 days	26 227 298	11 939 768
> 365 days	68 572 618	39 300 439
	<u>186 771 055</u>	<u>268 845 165</u>
Less: Allowance for impairment	(45 754 763)	(31 322 464)
	<u>141 016 292</u>	<u>237 522 701</u>
Industrial/ commercial		
Current (0 -30 days)	182 046 987	38 929 257
31 - 60 days	4 526 114	5 719 747
61 - 90 days	5 470 789	5 120 206
91 - 120 days	5 223 296	5 309 131
121 - 365 days	7 533 804	32 872 902
> 365 days	59 123 755	82 568 872
	<u>263 924 745</u>	<u>170 520 115</u>
Less: Allowance for impairment	(62 456 774)	(22 580 202)
	<u>201 467 971</u>	<u>147 939 913</u>
National and provincial government		
Current (0 -30 days)	11 386 603	14 004 756
31 - 60 days	438 563	535 211
61 - 90 days	55 667	817 439
91 - 120 days	45 326	571 985
121 - 365 days	3 063 194	5 619 490
> 365 days	3 375 225	10 856 402
	<u>18 364 578</u>	<u>32 405 283</u>
Less: Allowance for impairment	(6 988 463)	(5 697 334)
	<u>11 376 115</u>	<u>26 707 949</u>
Total		
Current (0 -30 days)	259 046 486	241 405 592
31 - 60 days	9 956 954	27 355 069
61 - 90 days	9 831 426	18 305 470
91 - 120 days	10 943 015	20 884 589
121 - 365 days	36 824 296	45 907 572
> 365 days	139 997 447	117 912 271
	<u>466 599 624</u>	<u>471 770 563</u>
Less: Allowance for impairment	(104 871 619)	(59 600 000)
	<u>361 728 005</u>	<u>412 170 563</u>
Less: Allowance for impairment		
> 365 days	<u>(104 871 619)</u>	<u>(59 600 000)</u>

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements for the year ended 30 June 2019

	2019 R	2018 R
5. Receivables from exchange transactions (continued)		
Reconciliation of allowance for impairment		
Balance at beginning of the year	(59 600 000)	(51 800 000)
Contributions to allowance	(78 938 639)	(18 596 427)
Debt impairment written off against allowance	33 667 020	10 796 427
	(104 871 619)	(59 600 000)

6. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	49 499	48 848
Cash book balances	71 105 234	45 373 392
Short-term deposits	390 000 000	415 000 000
	461 154 733	460 422 240

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
Absa Bank - Cheque - 2150000028	47 997 652	4 087 070	47 402 750	11 629 814
Absa Bank - Deposit - 2150000095	4 519 550	15 240 235	5 702 684	16 567 644
Absa Bank - Deposit - 9123615121	443 415	420 363	443 415	420 363
Absa Bank - Cheque - 9171373496	2 787 421	2 618 476	2 791 204	2 647 594
Absa Bank - Deposit - 9092247889	6 304 325	5 977 996	6 317 504	5 989 919
Absa Bank - Deposit - 9171373917	5 194 634	5 041 209	5 304 434	5 041 209
Absa Bank - Deposit - 9233674990	4 149	3 934	4 347	4 130
Absa Bank - Deposit - 9272068005	1 579 471	1 497 399	1 580 617	1 498 455
Absa Bank - Deposit - 4079286548	444 029	8 737	3 710	3 710
Absa Bank - Deposit - 9283221999	2 023 279	1 854 861	1 285 388	1 569 282
Absa Bank - Deposit - 9082916767	268 989	1 088	269 173	1 272
Total	71 566 914	36 751 368	71 105 226	45 373 392

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements for the year ended 30 June 2019

2019
R

2018
R

7. Investment property

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	93 230 238	(6 431 302)	86 798 936	97 509 268	(10 176 094)	87 333 174

Reconciliation of investment property - 2019

	Opening balance	Depreciation	Total
Investment property	87 333 174	(534 238)	86 798 936

Reconciliation of investment property - 2018

	Opening balance	Additions	Reclassification	Restatement	Depreciation	Total
Investment property	124 004 990	113 500	(31 477 679)	(4 561 851)	(745 786)	87 333 174

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

8. Property, plant and equipment

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	1 267 581 533	-	1 267 581 533	1 267 582 533	-	1 267 582 533
Infrastructure	11 252 290 895	(7 220 621 104)	4 031 669 791	11 182 960 304	(7 099 356 262)	4 083 604 042
Community	502 803 273	(177 551 693)	325 251 580	489 615 918	(170 271 708)	319 344 210
Other property, plant and equipment	1 585 270 795	(1 160 479 882)	424 790 913	815 762 844	(423 072 324)	392 690 520
Housing	166 864 904	(10 683 526)	156 181 378	174 093 324	(11 668 229)	162 425 095
Total	14 774 811 400	(8 569 336 205)	6 205 475 195	13 930 014 923	(7 704 368 523)	6 225 646 400

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements for the year ended 30 June 2019

Figures in Rand

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Work in Progress	Disposals	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	1 267 582 533	-	-	-	(1 000)	-	-	-	1 267 581 533
Infrastructure	4 083 604 042	32 777 932	292 039 134	-	-	(5 070 588)	(363 256 017)	(8 424 712)	4 031 669 791
Community	319 344 210	6 884 592	28 385 196	-	-	(2 087 501)	(27 274 917)	-	325 251 580
Other property, plant and equipment	392 690 520	68 037 145	29 336 819	(4 390 705)	-	(627 826)	(60 255 040)	-	424 790 913
Housing	162 425 095	-	4 439 809	-	-	-	(10 683 526)	-	156 181 378
	6 225 646 400	107 699 669	354 200 958	(4 390 705)	(1 000)	(7 785 915)	(461 469 500)	(8 424 712)	6 205 475 195

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Work in Progress	Disposals	Reclassification	Transfers	Restatement	Depreciation	Total
Land	525 026 950	-	-	-	15 054 400	(1 000)	727 502 183	-	1 267 582 533
Infrastructure	3 916 719 771	60 578 120	258 231 316	-	19 534 900	-	96 168 010	(267 628 075)	4 083 604 042
Community	306 147 206	31 922 735	12 206 196	-	(11 507 442)	-	(1 308 095)	(18 116 390)	319 344 210
Other property, plant and equipment	367 064 132	82 041 831	19 918 310	(1 449 011)	12 091 644	-	(29 413 173)	(57 563 213)	392 690 520
Housing development fund	173 909 541	-	-	-	(3 695 824)	-	(5 616 522)	(2 172 100)	162 425 095
	5 288 867 600	174 542 686	290 355 822	(1 449 011)	31 477 678	(1 000)	787 332 403	(345 479 778)	6 225 646 400

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements for the year ended 30 June 2019

	2019 R	2018 R
8. Property, plant and equipment (continued)		
Property, plant and equipment in the process of being constructed or developed		
Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected		
Roads	10 028 945	-
The delays are due to encroachments and land issues.		
Community	2 782 363	-
The delays are due to community challenges.		
Other assets	439 157	-
The delays are due to scope amendments due to on site challenges.		
Water and sanitation	21 873 637	-
The delays are due community challenges.		
	35 124 102	-

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements for the year ended 30 June 2019

			2019 R	2018 R
8. Property, plant and equipment (continued)				
Reconciliation of Work-in-Progress 2019				
	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	249 679 862	5 834 002	10 574 057	266 087 921
Additions/capital expenditure	296 478 943	28 385 199	29 336 819	354 200 961
Transferred to completed items	(7 995 168)	-	-	(7 995 168)
	538 163 637	34 219 201	39 910 876	612 293 714

Reconciliation of Work-in-Progress 2018				
	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	571 457 511	21 737 260	10 569 359	603 764 130
Additions/capital expenditure	258 231 316	12 206 196	19 918 311	290 355 823
Transferred to completed items	(580 008 965)	(28 109 454)	(19 913 613)	(628 032 032)
	249 679 862	5 834 002	10 574 057	266 087 921

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Employee related costs	217 249 768	200 795 103
Contracted services	136 433 709	134 906 406
Material	73 890 889	73 139 406
Transport	14 330 867	8 291 926
	441 905 233	417 132 841

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

9. Intangible assets

	2019			2018		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	122 844 473	(6 763 379)	116 081 094	68 098 675	(4 594 450)	63 504 225

Reconciliation of intangible assets - 2019

	Opening balance	Additions	Amortisation	Total
Computer software, other	63 504 225	54 745 798	(2 168 929)	116 081 094

Reconciliation of intangible assets - 2018

	Opening balance	Additions	Restatement	Amortisation	Total
Computer software, other	33 724 253	35 508 953	(3 393 719)	(2 335 262)	63 504 225

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements for the year ended 30 June 2019

	2019 R	2018 R
9. Intangible assets (continued)		
Intangible assets in the process of being constructed or developed		
Cumulative expenditure recognised in the carrying value of Intangible assets		
Computer software, other	52 988 302	31 891 598

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality

10. Heritage assets

	2019			2018		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	524 313	-	524 313	524 313	-	524 313
Historical buildings	1 940 298	-	1 940 298	2 242 681	-	2 242 681
Total	2 464 611	-	2 464 611	2 766 994	-	2 766 994

Reconciliation of heritage assets 2019

	Opening balance	Disposals	Total
Art Collections, antiquities and exhibits	524 313	-	524 313
Historical buildings	2 242 681	(302 383)	1 940 298
	2 766 994	(302 383)	2 464 611

Reconciliation of heritage assets 2018

	Opening balance	Transfers	Total
Art Collections, antiquities and exhibits	245 913	278 400	524 313
Historical buildings	2 521 081	(278 400)	2 242 681
	2 766 994	-	2 766 994

11. Financial liabilities

At amortised cost

DBSA	310 478 504	40 305 272
Nedbank	96 634 691	143 309 348
Rand merchant bank	-	1 212 227
Standard bank	295 520 755	323 205 121
INCA	-	31 392 374
	702 633 950	539 424 342
Total other financial liabilities	702 633 950	539 424 342
Non-current liabilities		
At amortised cost	614 841 385	394 165 665

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements for the year ended 30 June 2019

	2019 R	2018 R
11. Financial liabilities (continued)		
Current liabilities		
At amortised cost	87 792 565	145 258 677
12. Payables from exchange transactions		
Trade payables	256 164 120	331 360 150
Amounts received in advance	27 391 917	30 211 778
Retentions	52 468 869	46 355 780
Other payables	54 822 881	66 038 793
Accrued leave pay	14 279 909	11 782 392
	405 127 696	485 748 893
13. Consumer deposits		
Electricity and Water	61 937 464	58 210 402
Other deposits	3 618 492	3 618 492
	65 555 956	61 828 894
Bank Gaurantees in favour of the municipality for consumer deposits amounts to R 46 525 803.37 (2019) and R 57 128 413.37 (2018).		
14. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Municipal Systems Improvement Grant	800 000	-
Provincial Housing Grant	2 315 351	2 167 379
Provincial Local Government Grants	6 252 720	5 062 274
Provincial Libraries Grant	1 263 066	837 605
Integrated Electrification Program	-	2 650 169
uThungulu District	169 372	39 372
Energy efficiency and demand side management grant	-	4 919 600
	10 800 509	15 676 399

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements for the year ended 30 June 2019

	2019 R	2018 R
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15. Provisions

Reconciliation of provisions - 2019

	Opening Balance	Additions	Total
Pro rata Bonus	15 176 264	1 342 116	16 518 380

Reconciliation of provisions - 2018

	Opening Balance	Additions	Total
Pro rata Bonus	13 899 657	1 276 607	15 176 264

Pro rata Bonus

The bonus accrues to staff on an annual basis based on their anniversary month. The provision is an estimate of the amount payable to staff for the following year on a pro-rata basis. The timing of the amount is uncertain with regards to payment of pro-rata bonus when staff members resign.

16. Employee benefit obligations

The amounts recognised in the statement of financial position are as follows:

Carrying value

Present value of the defined benefit obligation-wholly unfunded	(220 079 000)	(332 531 737)
Current service cost	(8 328 000)	(18 623 617)
Interest cost	(21 929 000)	(32 265 172)
Actuarial gain	19 712 000	157 558 526
Benefits paid	6 388 000	5 783 000
	(224 236 000)	(220 079 000)

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	220 079 000	332 531 737
Net amount recognised in the statement of financial performance	4 157 000	(112 452 737)
	224 236 000	220 079 000

Net amount recognised in the statement of financial performance

Current service cost	8 328 000	18 623 617
Interest cost	21 929 000	32 265 172
Actuarial (gains)	(19 712 000)	(157 558 526)
Settlement	(6 388 000)	(5 783 000)
	4 157 000	(112 452 737)

Key assumptions used

The Municipality operates on 5 accredited medical aid schemes, namely: Bonitas, Hosmed, Keyhealth, LA Health and Samwumed. Pensioners continue on the option they belonged to on the day of their retirement. The independent valuers, ZAQ Consultants and Actuaries, carried out a statutory valuation for the year ended 30 June 2019 with projected liabilities for year ending 2020 and 2021. There are no planned assets.

Discount rates used	Yield curve
Average retirement age	60 years
Medical cost trend rates	CPI + 1%

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements for the year ended 30 June 2019

	2019 R	2018 R		
17. Accumulated surplus				
Ring-fenced internal funds and reserves within accumulated surplus - 2019				
	Capital replacement reserve	Housing development fund	Accumulated surplus	Total
Opening balance	190 324 256	3 061 960	5 886 929 855	6 080 316 071
Transfer to capital replacement reserve	176 172 522	-	(176 172 522)	-
Deficit for the year	-	-	(113 386 468)	(113 386 468)
	366 496 778	3 061 960	5 597 370 865	5 966 929 603
18. Service charges				
Sale of electricity		1 298 484 098	1 281 889 919	
Sale of water		414 491 081	373 831 155	
Sewerage and sanitation charges		92 760 434	70 033 876	
Refuse removal		84 696 387	97 765 031	
		1 890 432 000	1 823 519 981	
An amount of R10 902 624.06 (2018: R10 595 197.12) received in respect of prepaid electricity sales has been deferred and transferred to amounts received in advance.				
19. Operational Revenue				
Building plans		1 456 345	874 442	
Extension fees		19 528 333	12 370 172	
Connection fees		11 056 146	10 513 223	
Skills levy fees		1 936 965	472 795	
Insurance claims refund		3 074 092	86 171	
Sundries		14 292 187	23 488 092	
Advertisement		2 537 450	2 564 618	
Transaction handling fees		694 221	2 145 041	
Discount received		327 458	3 375 110	
Inventory gains		-	1 752 690	
Meter Replacement		85 891	69 270	
		54 989 088	57 711 624	
20. Interest received - investment				
Interest revenue				
Bank		27 999 016	76 055 871	

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements for the year ended 30 June 2019

	2019 R	2018 R
21. Property rates		
Rates received		
Residential	175 259 106	164 874 263
Commercial	120 618 436	109 155 177
State	32 533 342	31 927 261
Vacant land	55 661 905	45 841 174
Public benefit organisations	238 982	203 038
Agriculture	2 071 154	1 912 838
Industrial	150 758 277	140 584 983
Mining	801 507	751 188
Public service infrastructure	84 978	77 897
Less: Income forgone	(60 889 718)	(52 667 039)
	477 137 969	442 660 780
Property rates - penalties imposed	3 280 389	2 013 216
	480 418 358	444 673 996
Valuations		
Residential	18 425 838 010	18 340 258 410
Commercial	5 899 456 092	5 633 152 692
State	3 185 926 600	3 215 746 600
Vacant land	2 602 678 977	2 507 864 252
Public benefit organisations	95 200 000	73 500 000
Agriculture	747 064 308	729 528 308
Industrial	7 072 372 000	7 077 372 000
Mining	35 942 000	35 942 000
Public service infrastructure	130 685 150	128 382 150
Multiple use	404 504 000	504 055 000
	38 599 667 137	38 245 801 412

The first valuation in terms of the Property Rates Act No.6 of 2004 came into effect on 01 July 2008. Valuations were performed on land and buildings together. Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2013. One supplementary valuation roll and objection roll in terms of the new Act were processed during the financial year. The following rate randage and ratio to residential tariff were applied:

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements for the year ended 30 June 2019

	2019 R	2018 R
21. Property rates (continued)		
New category of properties	Rates Randage	Ratio to Residential Tariff
Residential	0.0097	1:1,00
Business/Commercial	0.0204	1:2,10
Industrial	0.0213	1:2,20
Agricultural	0.0024	1:0,25
Public service purpose (State owned)	0.0107	1:1,10
Public service infrastructure	0.0021	1:0,25
PBO's	0.0024	1:0,25
Mining	0.0223	1:2,30
Vacant land	0.0194	1:2,00

Subject to the provisions contained in the Rates Policy and upon application, the following rebates were applied:

Agricultural Properties - 5%

Non-profit Organisations - 20%

Pensioners - R15 000 Valuation Reduction on primary developed property

In addition to the statutory R15 000 reduction in the valuation on residential properties, a further reduction of R105 000 of the valuation on all developed residential properties with >R40 000 was made.

Rates are levied on a monthly basis but upon request can be levied annually. The final date for payment of rates that are levied on an annual basis is 30 September of each year, and 30 June for monthly ratepayers. Interest of prime plus 1% is levied on outstanding rates.

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements for the year ended 30 June 2019

	2019 R	2018 R
22. Transfers and subsidies		
Operating grants		
Equitable Share	326 255 000	292 009 000
Municipal Demarcation Grant	-	6 209 000
Financial Management Grant	2 603 947	2 342 985
Expanded Public Works Program	5 189 000	4 143 000
Infrastructure Skills development Grant	2 300 000	5 533 232
Provincial Libraries Grant	9 617 539	9 416 189
Other Government Grants	-	2 990
Provincial Local government	753 490	19 610
Municipal Infrastructure grant	2 014 031	-
	348 733 007	319 676 006
Capital grants		
Municipal Infrastructure Grant	89 217 078	95 678 607
Integrated National Electrification Program	2 650 169	7 349 831
Water Services Infrastructure Grant	-	34 000 000
Provincial Housing Grant	3 471 074	2 101 872
Provincial Local Government Grant	6 055 564	4 033 976
Financial Management Grant	46 053	307 015
King Cetshwayo Grant	-	100 000
Municipal Systems Improvement Grant	255 000	-
Energy Efficiency and Demand Side Management Grant	6 000 000	80 400
	107 694 938	143 651 701
	456 427 945	463 327 707

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Municipal Systems Improvement Grant

Current-year receipts	1 055 000	-
Conditions met - transferred to revenue	(255 000)	-
Conditions still to be met - remain liabilities (see note 15)	800 000	-

National Conditional Grants are allocated in terms of the Division of Revenue Act. The Municipal Systems Improvement Grant is used to assist municipalities to perform their functions and stabilise institutional and governance systems as required in the Municipal systems act and related legislation.

Water Services Infrastructure Grant

Current-year receipts	-	34 000 000
	-	(34 000 000)
Conditions still to be met - remain liabilities (see note 15)	-	-

National Conditional Grant are allocated in terms of the Division of Revenue Act. This grant is used to construct water and sewerage infrastructure as part of the upgrading of informal settlement areas. No funds have been withheld.

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements for the year ended 30 June 2019

	2019 R	2018 R
22. Transfers and subsidies (continued)		
Municipal Infrastructure Grant		
Current-year receipts	104 604 000	108 742 000
Conditions met - transferred to revenue	(91 231 109)	(95 678 607)
Other	(13 372 891)	(13 063 393)
Conditions still to be met - remain liabilities (see note 15)	-	-

National Conditional Grant are allocated in terms of the Division of Revenue Act. This grant is used to construct water and sewerage infrastructure as part of the upgrading of informal settlement arrears. No funds have been withheld.

Provincial Housing Grant

Balance unspent at beginning of year	2 167 379	2 784 831
Current-year receipts	3 494 158	1 316 040
Conditions met - transferred to revenue	(3 471 074)	(2 101 872)
Interest	124 888	168 380
Conditions still to be met - remain liabilities (see note 15)	2 315 351	2 167 379

Provincial Housing Grant was allocated to assist in the refurbishment of various hostels. The grant are spent in accordance with a business plan approved by the Provincial government. Fund were provided for the housing operating account. Funds were also provided for the Municipality to implement the enhanced extended discount benefit scheme. No funds were withheld. An amount of R 5 598 678 was transferred to the Brackenhams Housing reserve (Municipal housing operating account) in terms of an agreement between Council and the Department of Human Settlement . A tri-party agreement between Waterstone country estate, the City of Umhlathuze and the Department of Human Settlement was signed to procure the property for affordable housing development.

Infrastructure skills development grant

Balance unspent at beginning of year	-	1 654 232
Current-year receipts	2 300 000	6 500 000
Grant withheld	-	(2 621 000)
Conditions met - transferred to revenue	(2 300 000)	(5 533 232)
Conditions still to be met - remain liabilities (see note 15)	-	-

National Conditional Grant are allocated in terms of the Division of Revenue Act. The infrastructure and skills development grant is used to strengthen capacity of local government, to effectively and efficiently deliver quality infrastructure by increasing the pool of skills available, to facilitate lifelong learning and the transfer of knowledge and skills to municipalities and to sustain infrastructure related management capacity in local government.

Finance Management Grant

Current-year receipts	2 650 000	2 650 000
Conditions met - transferred to revenue	(2 650 000)	(2 650 000)
Conditions still to be met - remain liabilities (see note 15)	-	-

National Conditional Grant are allocated in terms of the Division of Revenue Act. The financial management grant is used to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act (MFMA).

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements for the year ended 30 June 2019

	2019 R	2018 R
22. Transfers and subsidies (continued)		
Restructuring Grant		
Balance unspent at beginning of year	-	9 385
Conditions met - transferred to revenue	-	(9 385)
Conditions still to be met - remain liabilities (see note 15)	-	-

National Conditional Grant are allocated in terms of the Division of Revenue Act. The Restructuring grant received in 2002, 2003 and 2004 from National treasury has been earmarked for certain projects that will improve the local economy.

Provincial Local Government Grant

Balance unspent at beginning of year	5 062 274	5 408 820
Current-year receipts	7 999 500	3 687 025
Conditions met - transferred to revenue	(6 809 054)	(4 033 571)
Conditions still to be met - remain liabilities (see note 15)	6 252 720	5 062 274

Provincial local government grants are used to implement administrative and financial framework and to provide a municipal infrastructure framework. The grants are spent in accordance with a business plan approved by the Provincial government.

Provincial Libraries

Balance unspent at beginning of year	837 605	685 793
Current-year receipts	10 043 000	9 385 000
Conditions met - transferred to revenue	(9 617 539)	(9 233 188)
Conditions still to be met - remain liabilities (see note 15)	1 263 066	837 605

Provincial library grants were allocated to subsidise the purchase of equipment for various libraries. A subsidy was also received to assist in the construction of the Empangeni library study hall. Funds were also provided to refurbish the old community hall at Felixton into a library. Further funding was also received for the installation of computer hardware and software for public internet access, the cost of the internet connectivity, furniture to house these computers and salaries for the employment of "cyber-cadets". The subsidies are spent in accordance with a business plan approved by the Provincial government. No funds have been withheld.

Water Services Operating Subsidy Grant

Department of water affairs refurbishment grant and subsidy for water services works. The grant is spent in accordance with an approved business plan.

Expanded public works program

Current-year receipts	5 189 000	4 143 000
Conditions met - transferred to revenue	(5 189 000)	(4 143 000)
Conditions still to be met - remain liabilities (see note 15)	-	-

National Conditional Grant are allocated in terms of the Division of Revenue Act. The grant is to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in compliance with EPWP guidelines.

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements for the year ended 30 June 2019

	2019 R	2018 R
22. Transfers and subsidies (continued)		
Integrated National Electrification Programme		
Balance unspent at beginning of year	2 650 169	-
Current-year receipts	-	10 000 000
Conditions met - transferred to revenue	(2 650 169)	(7 349 831)
Conditions still to be met - remain liabilities (see note 15)	-	2 650 169

Department of Minerals and Energy provided a grant in support of electrification projects. The grants are spent in accordance with an approved business plan.

uThungulu District Municipality/ King Cetshwayo District Municipality

Balance unspent at beginning of year	39 372	52 992
Current-year receipts	130 000	100 000
Conditions met - transferred to revenue	-	(113 620)
Conditions still to be met - remain liabilities (see note 15)	169 372	39 372

uThungulu district allocated funds for the capacity building grant, for the beach protection project at Alkantstrand beach Richards Bay and also provided a subsidy to assist in the daily running of the Empangeni museum. No funds have been withheld.

Municipal Demarcation Grant

Current-year receipts	-	6 209 000
Conditions met - transferred to revenue	-	(6 209 000)
Conditions still to be met - remain liabilities (see note 15)	-	-

National Conditional Grant are allocated in terms of the Division of Revenue Act. The purpose of the grant is to subsidise the additional institutional and administrative costs arising from major boundary changes due to come into effect at the time of the 2016 local government elections.

Energy efficiency and demand side management grant

Balance unspent at beginning of year	4 919 600	-
Current-year receipts	6 000 000	5 000 000
Grant withheld	(4 919 600)	-
Conditions met - transferred to revenue	(6 000 000)	(80 400)
	-	4 919 600

National Conditional Grants are allocated in term of the Division of Revenue Act. The purpose of the grant is to provide subsidies to municipalities to implement energy efficiency and demand side management (EEDSM) initiatives within municipal infrastructure in order to reduce electricity consumption and improve energy efficiency.

23. Public contributions and donations

Lotto Funding	1 565 668	2 434 332
Other Public contributions and donations	537 141	1 537 900
	2 102 809	3 972 232

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements for the year ended 30 June 2019

			2019 R	2018 R	
24. Employee related costs					
Basic			449 378 946	420 996 083	
Bonus			37 258 917	34 635 088	
Medical aid - company contributions			38 460 617	36 322 229	
UIF			3 836 347	3 667 110	
Leave pay provision charge			18 166 908	16 232 038	
Other allowances			12 577 851	7 141 947	
Defined contribution plans			6 156 919	5 720 621	
Travel, motor car, accommodation, subsistence and other allowances			47 538 273	44 064 027	
Overtime payments			50 331 332	44 522 830	
Housing benefits and allowances			4 239 143	4 316 393	
Cellphone allowances			3 864 790	3 600 141	
Contributions to pensions and group life			86 138 762	79 506 991	
Protective Clothing			180 000	163 333	
			758 128 805	700 888 831	
2019 : Remuneration to senior managers & managers	Municipal Manager	COO	DMM: Infrastructure & Technical Service	DMM:Electricity and Energy Services	
Annual Remuneration	1 365 800	1 543 672	1 128 664	1 239 014	
Annual Bonus	113 817	-	90 412	101 477	
Contribution to UIF, Medical & Pension Fund	388 285	83 311	316 026	345 486	
Travel Allowance	240 000	156 202	244 440	95 433	
	2 107 902	1 783 185	1 779 542	1 781 410	
2018 : Remuneration to senior managers & managers	Municipal Manager	COO	DMM: Infrastructure & Technical Service	DMM:Electricity and Energy Services	
Annual Remuneration	1 290 531	1 461 515	757 794	391 791	
Annual Bonus	107 544	-	-	-	
Performance Bonus	218 417	158 574	-	-	
Contribution to UIF, Medical & Pension Fund	304 498	78 730	207 493	117 769	
Travel Allowance	240 000	156 202	164 086	32 000	
	2 160 990	1 855 021	1 129 373	541 560	
2019 : Remuneration to senior managers & managers	DMM: City Development	DMM: Community Services	DMM: Financial Services (CFO)	DMM: Corporate Services	Head: Engineering Services
Annual Remuneration	1 391 439	1 343 319	1 426 468	1 478 348	728 164
Annual Bonus	109 606	107 589	113 429	-	60 680
Contribution to UIF, Medical & Pension Fund	193 085	68 366	59 425	105 024	288 873
Travel Allowance	154 622	259 556	204 600	183 223	304 000
	1 848 752	1 778 830	1 803 922	1 766 595	1 381 717

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements for the year ended 30 June 2019

	2019 R	2018 R
24. Employee related costs (continued)		
2018 : Remuneration to senior managers & managers	DMM: City Development	DMM: Community Services
Annual Remuneration	1 315 277	904 284
Annual Bonus	104 174	-
Performance Bonus	142 716	-
Travel Allowance	156 724	176 383
Contribution to UIF, Medical & Pension Fund	114 838	49 720
	1 833 729	1 130 387
2019 : Remuneration to senior managers & managers	Head: Financial Service Exp	Head: Financial Service Revenue
Annual Remuneration	728 164	728 164
Annual Bonus	60 680	60 680
Housing Subsidy	10 228	-
Travel Allowance	304 000	304 000
Contribution to UIF, Medical & Pension Fund	284 017	215 028
	1 387 089	1 307 872
2018 : Remuneration to senior managers & managers	Head: Financial Service Exp	Head: Financial Service Revenue
Annual Remuneration	680 527	680 527
Annual Bonus	56 711	56 711
Housing Subsidy	9 559	-
Travel Allowance	285 744	285 744
Contribution to UIF, Medical & Pension Fund	280 455	199 168
	1 312 996	1 222 150
		DMM: Financial Services (CFO)
		DMM: Corporate Services
		Head: Engineering Services
		Head: Transport Roads
		Head: Water and Sanitation
		Head: Human Resources
		1 348 084
		107 258
		158 574
		204 300
		31 422
		1 849 638
		1 396 033
		-
		158 574
		201 012
		99 401
		1 855 020
		680 527
		56 711
		-
		285 744
		259 554
		1 282 536
		962 361
		-
		-
		343 204
		272 782
		1 578 347
		728 164
		60 680
		-
		304 000
		225 351
		1 318 195
		728 164
		60 680
		-
		304 000
		218 854
		1 311 698
		909 318
		-
		-
		320 754
		276 323
		1 506 395
		680 527
		56 711
		-
		285 744
		210 565
		1 233 547
		680 527
		56 711
		-
		285 744
		218 650
		1 241 632

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements for the year ended 30 June 2019

				2019 R	2018 R
24. Employee related costs (continued)					
2019 : Remuneration to senior managers & managers	Head: Health & Safety	Head: Electrical Services	Head: Transport Facilities and Operations	Head: Park, Sport & Recreation	Head: SCM
Annual Remuneration	728 164	54 256	728 164	-	728 164
Annual Bonus	60 680	-	60 680	-	60 680
Housing Subsidy	9 376	-	-	-	10 228
Travel Allowance	304 000	21 950	304 000	-	304 000
Contribution to UIF, Medical & Pension Fund	252 219	-	261 376	-	283 079
	1 354 439	76 206	1 354 220	-	1 386 151
2018 : Remuneration to senior managers & managers	Head: Health & Safety	Head: Electrical Services	Head: Transport Facilities and Operations	Head: Park, Sport & Recreation	Head: SCM
Annual Remuneration	405 761	493 685	680 527	57 295	293 776
Annual Bonus	-	42 416	56 711	-	-
Housing Subsidy	-	-	-	-	3 186
Travel Allowance	167 017	191 100	285 744	73 636	120 480
Contribution to UIF, Medical & Pension Fund	125 909	255 203	172 938	-	131 727
	698 687	982 404	1 195 920	130 931	549 169
25. Remuneration of councillors					
Mayor				847 064	816 875
Deputy Mayor				735 406	683 120
Mayoral Committee Members				5 465 745	5 304 867
Speaker				695 365	543 506
Councillors				19 875 133	19 252 186
Councillors' pension contribution				2 776 276	2 741 137
				30 394 989	29 341 691
In-kind benefits					
The Mayor, Deputy Mayor, Speaker, Chief Whip and Executive Committee Members are full-time. They are provided with an office and secretarial support at the cost of Council.					
The Mayor, Speaker and the Deputy Mayor and Chief Whip each have the use of separate Council owned vehicles for official duties.					
26. Depreciation and amortisation					
Property, plant and equipment				461 530 604	345 479 777
Investment property				534 238	745 786
Intangible assets				2 168 930	2 335 262
				464 233 772	348 560 825
27. Finance costs					
Non-current borrowings				51 286 016	67 690 845

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements for the year ended 30 June 2019

	2019 R	2018 R
28. Debt impairment		
Debt impairment	163 733 092	27 153 878
29. Bulk purchases		
Electricity	865 607 570	840 992 491
Water	145 247 579	121 395 236
	1 010 855 149	962 387 727
30. Contracted services		
Outsourced Services		
Other Contractors	29 422 888	30 183 313
Cleaning Services	3 701 334	3 582 269
Meter Management	7 323 470	6 324 923
Security Services	60 558 273	55 535 426
Sewerage Services	74 560 440	57 975 440
Animal Care	392 000	-
Maintenance Contractors	136 433 709	134 906 406
	312 392 114	288 507 777
31. Transfers and subsidies		
Other subsidies		
Subsidies	15 781 690	11 517 223

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements for the year ended 30 June 2019

	2019 R	2018 R
31. Transfers and subsidies (continued)		
Municipal Grants and Subsidies Paid		
16 Days of Activism	-	205 425
SPCA	420 000	398 800
Hippo Rally	-	50 000
Death of a public member	-	33 783
Sundries	594 465	396 085
Bursaries employee children	519 417	631 698
Dolos festival	200 000	200 000
Reed dance	-	351 144
Womens summit	66 484	95 367
Senior Citizen	536 391	401 177
Operation sukuma sakhe	213 044	201 473
Community Mayor outreach	356 289	342 041
University registrations	177 850	336 000
uMhlathuze athletics associations	100 000	-
Last dance festival	1 000 000	1 000 000
Aerobics (Women day)	100 000	-
Nkosi Mthiyane schools tournament	100 000	-
Disaster management	296 874	527 741
Diwali festival	-	50 000
Music festival	-	200 000
Soccer madness tournament	-	450 000
Richards bay football club	2 500 000	2 500 000
Freedon day and Human rights day	50 426	118 216
Civic funeral - Cllr Mthenjana	-	842 349
Mayoral school uniform campaign	-	150 531
uMhlathuze tourism organisation	171 761	150 000
Tournament	-	50 000
Phakama music festival	-	150 000
God's power trading	-	50 000
State of the city entertainment	-	75 000
Zwide 247 events and tournament	-	250 000
Profiling people with disability/ Disability sector	117 641	132 540
uMhlathuze local football association	170 000	-
Annual aerobics marathon	123 996	-
Youth forum	542 085	-
Federations - Rugby	53 050	-
Downstream alluminium centre for technology	188 000	150 000
Children	167 693	-
Religious sector	74 244	-
Isithembiso music production	84 000	-
Hire of bus to Enyokeni	-	55 000
uMhlathuze operationn siyaya emhlangeni	-	70 500
Pentecostal holiness church	172 500	-
uMhlathuze maskandi festival	-	500 000
Funeral former councillor	84 161	-
Black cuban consulting	260 870	-
Agricultural co-operatives	499 044	-
SEDA construction incubator trust	2 233 000	-
Soul and Jazz experience	1 555 000	-
Madiba Jive	250 000	-
Kufeziwe gospel celebration	150 000	150 000
Catering for 1300 maidens	203 050	-
Operation siyaya eMhlangeni	197 677	-

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements for the year ended 30 June 2019

	2019 R	2018 R
31. Transfers and subsidies (continued)		
PPE alien vegetation programme	-	52 353
4th Annual spring tour music festival	300 000	-
Second annual spring music tour festival	-	200 000
uMhlathuze music festival	100 000	-
Sisters help desk corner	500 000	-
Mavuso RG - reimbursement of home contents	134 158	-
Ngwelezane beneficiary subsidy	218 520	-
	15 781 690	11 517 223
32. Operating expenses		
Advertising	4 922 349	5 717 814
Auditors remuneration	5 291 892	5 078 771
Bank charges	9 512 127	7 007 967
Cleaning	23 621	10 568
Commission paid	6 549 460	6 182 132
Consulting and professional fees	33 885 840	30 190 997
Consumables	2 275 645	2 505 832
Legal expenses	13 501 079	8 384 173
Entertainment	200 132	406 457
Insurance	7 315 762	4 651 102
Community development and training	6 492 321	6 122 682
Conferences and seminars	624 794	808 026
Employee Awards	693 396	377 273
Examination of samples	4 000 540	7 476 270
Levies	6 386 653	5 892 371
Packaging	152 815	155 645
Pest control	78 355	72 885
Fuel and oil	23 744 572	19 404 725
Resettlement Cost	116 416	80 754
Postage and courier	2 224 502	2 190 331
Printing and publications	376 952	332 843
Workmen's Compensation Fund	3 325 340	4 174 561
External Computer Service	12 030 661	10 040 035
Subscriptions and membership fees	8 342 934	7 544 513
Telephone and fax	6 826 938	2 952 003
Refuse Site Fees	9 130 048	9 213 672
Uniforms	5 792 705	5 552 295
Bursaries	642 375	667 343
Indigent support	-	201 534
Licences	2 895 444	2 652 038
Materials and Supplies	83 732 578	83 137 498
Travel and Subsistence	5 804 634	4 636 520
Rental of property, plant and equipment	22 492 586	37 262 483
Venue expenses	3 361 695	2 787 060
Inventory loss	1 197 904	-
	293 945 065	283 871 173
33. Gains on disposal of land		
Gains on disposal of land	-	652 684

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements for the year ended 30 June 2019

	2019 R	2018 R
34. Auditors' remuneration		
Fees	5 291 892	5 078 771
35. Cash generated from operations		
(Deficit) surplus	(113 386 468)	290 253 918
Adjustments for:		
Depreciation and amortisation	464 233 772	348 560 825
Loss on sale of assets and liabilities	11 689 152	1 449 010
Impairment deficit	8 424 712	-
Debt impairment	163 733 092	27 153 878
Movements in retirement benefit assets and liabilities	4 157 000	(112 452 737)
Movements in provisions	1 342 116	1 276 607
Gain on sale of land	-	(653 684)
Other non-cash items - inventory loss	-	(1 298 224)
Changes in working capital:		
Inventories	(4 588 587)	1 975 982
Consumer debtors	(28 841 316)	(88 343 234)
Other receivables from non-exchange transactions	(77 807 206)	28 909 660
Payables from exchange transactions	(78 123 680)	(160 792 354)
VAT	3 726 251	44 812 818
Unspent conditional grants and receipts	(4 875 890)	5 080 346
Consumer deposits	3 727 062	14 093 525
	353 410 010	400 026 336
36. Commitments		
Authorised capital expenditure		
Approved and contracted for		
• Property, plant and equipment	263 133 454	217 311 231
Total capital commitments		
Approved and contracted for	263 133 454	217 311 231

This committed expenditure relates to property, plant and equipment and will be financed by available bank facilities, government grants, funds internally generated, etc.

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements for the year ended 30 June 2019

2019	2018
R	R

37. Contingencies

Guy Morton Shaw Smith N.O. and 2 others referred to as Indlovu Development Trust (Mzingazi Golf Estate developers) launched an application against council for an amount of R1 142 748.90 in respect of bulk services contribution. They claim that Council unlawfully appropriated this amount from the proceeds of the sale while council was only supposed to levy R 121 355.45. They seek an order for payment of the sum of R 1 142 748.90, interest at the rate of 9% per annum from the date of demand costs of suit and further and / or alternative relief. The matter was defended and is ongoing. The court date has not been set.

Council procured services from Kulu Civils in respect of Tenders 8/2/1/UMH22-15/16 and 8/2/1/UMH23-15/16. The contractor subsequently did not comply with the conditions in the letter of intention to award. The intention to award was subsequently cancelled. Kulu Civils has referred the matter to the Adjudicator who found in favour of the contractor that they were entitled to general costs, loss of profit. The decision of the Adjudicator has been challenged and a review application has been lodged in the High Court. The possible outflow of economic benefits is R500 000. The matter is ongoing.

Labour dispute by claimant Wiseman Sinothi Mkhonza. The municipality is awaiting deposit requirements from the client so that council can transcribe the record. The possible outflow of economic benefits is R 1 881 546.66.

Labour dispute by claimant Mthethwa. This matter is ready to be set down and is awaiting set down date. The possible outflow of economic benefits is R 113 408.44.

Labour dispute by claimant M Nhleko. The municipality is awaiting transcripts. The possible outflow of economic benefits is R 1 075 169.52

Richards bay ski-boat club filed a case against the municipality called for not restoring electricity supply. The municipality received draft bill of costs after court hearing on 14/03/2019. The possible outflow of economic benefits is R 91 098.93.

Zululand yacht club legal case for rental charged by the municipality. The possible outflow of economic benefits is R 73 540.60

Contingent assets

Council instituted a claim of R 2 339 614 against Thinasobabile Trading for defective performance. The matter is awaiting a court date.

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements for the year ended 30 June 2019

Figures in Rand

38. Related parties

There were no related party transactions that occurred during the year.

Remuneration of management

Executive committee members

2019

Name	Basic salary	Cellphone/Data	Travel Allowance	Medical Aid	Pension	Total
Mhlongo MG - Mayor	802 664	44 400	-	83 664	120 400	1 051 128
Sibiya KD - Deputy Mayor	489 661	44 400	201 345	40 926	73 449	849 781
Mkhize G - Speaker	650 965	44 400	-	56 772	97 645	849 782
Lourens M - Chief Whip	656 561	44 400	-	-	98 484	799 445
Fourie LCM - Executive Committee	492 420	44 400	188 761	-	73 863	799 444
Gumede TS - Executive Committee	633 777	44 400	-	26 202	95 067	799 446
Mthembu BC - Executive Committee	437 763	44 400	188 761	62 856	65 665	799 445
Mthethwa KN - Executive Committee	454 902	44 400	188 761	43 146	68 235	799 444
Ndimande DJ - Executive Committee	447 050	44 400	188 761	52 176	67 058	799 445
Phahla TM - Executive Committee	437 763	44 400	188 761	62 856	65 665	799 445
Sookroo M - Executive Committee	428 706	44 400	188 761	73 272	64 306	799 445
Zikhali RM - Executive Committee	456 833	44 400	188 761	40 926	68 525	799 445
	6 389 065	532 800	1 522 672	542 796	958 362	9 945 695

2018

Name	Basic salary	Cellphone/Data	Travel Allowance	Medical Aid	Pension	Total
Mhlongo MG - Mayor	772 475	44 400	-	79 662	115 871	1 012 408
Sibiya KD - Deputy Mayor	97 861	8 757	36 364	6 530	11 975	161 487
Mkhize G - Deputy Mayor	500 177	35 643	-	42 922	78 576	657 318
Mkhize G - Speaker	128 041	8 757	-	9 032	15 657	161 487
Mthenjana MW - Speaker	403 184	28 543	-	31 586	63 062	526 375

City of uMhlathuze

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Notes to the Annual Financial Statements for the year ended 30 June 2019

Figures in Rand

38. Related parties (continued)

Lourens M - Chief Whip	631 309	44 400	-	-	94 696	770 405
Fourie LCM - Executive Committee	473 482	44 400	181 501	-	71 022	770 405
Mthembu BC - Executive Committee	421 438	44 400	181 501	59 850	63 216	770 405
Mthethwa KN - Executive Committee	437 758	44 400	181 501	41 082	65 664	770 405
Sookroo M - Executive Committee	415 944	44 400	181 501	66 168	62 392	770 405
Zikhali RM - Executive Committee	440 805	44 400	181 501	37 578	66 121	770 405
Phahla TM - Executive Committee	421 438	44 400	181 501	59 850	63 216	770 405
Gumede TS - Executive Committee	614 929	44 400	-	18 837	92 239	770 405
Ndimande DJ - Executive Committee	84 692	8 757	35 796	9 992	12 704	151 941
Sibiya KD - Executive Committee	483 148	35 643	24 704	-	74 958	618 453
	6 326 681	525 700	1 185 870	463 089	951 369	9 452 709

Councillors/Mayoral committee members

2019

Name	Basic salary	Cellphone/Data	Travel Allowance	Medical Aid	Pension	Total
Executive committee members	6 389 065	532 800	1 522 672	542 796	958 362	9 945 695
Other Councillors	11 226 787	2 239 773	2 092 874	1 116 862	1 635 215	18 311 511
Section 79 full/part time	1 218 009	177 600	388 358	171 114	182 702	2 137 783
	18 833 861	2 950 173	4 003 904	1 830 772	2 776 279	30 394 989

2018

Name	Basic salary	Cellphone/Data	Travel Allowance	Medical Aid	Pension	Total
Executive committee members	6 326 681	525 700	1 185 870	463 089	951 369	9 452 709
Other Councillors	10 863 626	2 278 245	2 039 146	1 187 397	1 624 236	17 992 650
Section 79 full/part time	1 092 841	162 159	338 027	138 208	165 097	1 896 332
	18 283 148	2 966 104	3 563 043	1 788 694	2 740 702	29 341 691

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements for the year ended 30 June 2019

2019
R

2018
R

39. Prior-year adjustments

During the year the municipality reclassified different classes of property, plant and equipment as well as investment property and intangible assets. The municipality undertook a detailed verification of infrastructure assets as a result there were assets that were brought in which were not previously recognised, this change was done as a prior error in accordance with GRAP 3. There were also assets that were brought in which were not previously recognised, these have been classified under correction of error. Other payables were also corrected due to interest accrual that was not reversed in the prior year. Presented below are those items contained in the statement of financial position that have been affected by prior-year adjustments:

Statement of Financial Position

2018

	Note	As previously reported	Correction of error	Reclassification	Restated
Property, plant and equipment	8	5 406 836 319	787 332 403	31 477 678	6 225 646 400
Intangibles	9	66 897 945	(3 393 720)	-	63 504 226
Investment property	7	123 372 704	(4 561 851)	(31 477 678)	87 333 175
Receivables from non exchange transactions	4	97 606 357	1 800 000	12 763 648	112 170 005
Accumulated surplus	17	5 313 301 186	763 952 927	3 061 960	6 080 316 073
Materials and supplies	32	94 679 797	-	(11 551 309)	83 128 488
Maintenance contractors	30	123 364 107	-	11 551 309	134 915 416
Payables from exchange transactions	12	443 549 901	9 188 929	33 010 064	485 748 893
Inventory Land	2	56 055 000	(8 000 000)	-	48 055 000
Consumer deposits	13	82 040 332	-	(20 211 438)	61 828 894
Housing development fund	17	3 061 960	-	(3 061 960)	-
		11 810 765 608	1 546 318 688	25 562 274	13 382 646 570

2019

Reclassifications

40. Financial risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: liquidity risk, credit risk and interest rate risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. The municipality uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by financial services department under policies approved by the accounting officer. Municipality's financial services department identifies, evaluates and hedges financial risks in close co-operation with the municipality's operating units. The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements for the year ended 30 June 2019

2019	2018
R	R

40. Financial risk management (continued)

Liquidity risk

Liquidity risk is the risk that the municipality will not be able to meet its obligations as they fall due. The municipality's approach is to ensure that sufficient liquidity is available to meet its liabilities when due. The municipality uses cash flow forecasts to ensure that sufficient cash is available to meet expected operating expenses. This is guided by working capital and revenue enhancement policy.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

The credit profile of the City of uMhlathuze issued by Moody's Investor Service for the 2018/19 financial year, reflects its prudent financial policies, solid operating performance and a strong liquidity position, with a rating of (Ba2).

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by Council. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2019	2018
Investments	390 000 000	415 000 000
Cash and cash equivalents	71 337 933	45 422 240
Long-term receivables	-	-
Consumer debtors	361 728 008	412 170 563
Receivables from non exchange transactions	105 106 988	97 606 357

Market risk

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. Municipality policy is to maintain its borrowings in fixed rate instruments.

41. Events after the reporting date

No material facts and circumstances have occurred between the accounting date and the date of this report that would have an impact on the financial statements.

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements for the year ended 30 June 2019

	2019 R	2018 R
42. Unforeseen and unavoidable expenditure		
Incurred expenditure	82 726 341	-
The unforeseen and unavoidable expenditure is mainly due an increase on expenditure of non-cash items namely depreciation and impairment. Ex pos facto condonation by Council in September 2019.		
43. Irregular expenditure		
Opening balance	77 628 008	-
Irregular Expenditure - current year	47 533 346	-
Irregular expenditure identified in the current year for prior year	-	77 628 008
	125 161 354	77 628 008
The irregular expenditure disclosed by the Municipality relates to Supply Chain Management Regulation 36 approvals by the Accounting Officer, Supply Chain Management Regulation 22 clause 2 (shortening of tender advertisement period) and the appointment of the ERP service provider. At the date of the audit report the irregular expenditure was not resolved, hence management disclosed the irregular expenditure which will later be reviewed.		
44. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government		
Current year subscription / fee	8 342 934	7 544 513
Audit fees		
Current year subscription / fee	5 291 892	5 078 771
PAYE and UIF		
Current year subscription / fee	121 677 106	108 114 011
Amount paid - current year	(121 677 106)	(108 114 011)
	-	-
Pension and Medical Aid Deductions		
Opening balance	(1 953)	(1 953)
Current year subscription / fee	178 997 847	167 172 217
Amount paid - current year	(179 026 229)	(167 172 217)
Amount paid - previous years	30 335	1 953
	-	-
VAT		
VAT payable	14 327 754	10 601 503

All VAT returns have been submitted by the due date throughout the year.

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements for the year ended 30 June 2019

	2019 R	2018 R	
44. Additional disclosure in terms of Municipal Finance Management Act (continued)			
Councillors' arrear consumer accounts			
The following Councillors had arrear accounts outstanding for more than 90 days at :			
30 June 2019	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Mthembu SN (Samuel)	43	3 898	3 941
Mthethwa KN (Khethomusa)	1 512	84 763	86 275
Ntuli DE (Dini)	8 451	146 472	154 923
	10 006	235 133	245 139
30 June 2018	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Mthembu SP (Solile P)	-	1 527	1 527
Wanda TP (Thabisile)	-	78	78
Xulu ZZ (Zakheleni)	913	13 195	14 108
	913	14 800	15 713

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

Incident

Emergency	3 044 330	12 047 878
Sole provider	4 520 602	8 176 224
Exceptional case where it is impossible to follow the official procurement process	22 293 541	77 854 969
Ratify minor breaches of the procurement process	-	42 988
	29 858 473	98 122 059

45. Budget differences

Explanation of variances between approved and final budget amounts

The reason for the variance between approved and final budget is mainly due to the adjustments budget that was approved by Council on 28 February 2019 under resolution 13061.

Explanation of variances greater than 20% between final budget and actual amounts

Statement of Financial Performance

Revenue

Other Income: The variance is the result of mainly a decreased in revenue received on extension fees for engineering contribution .

Interest Received- Investment: The variance is the result of decrease in surplus funds available for investments during the year.

Fines, penalties and forfeits: The variance is due to the commencement of the new tender for the issuing and collection of fines.

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements for the year ended 30 June 2019

	2019 R	2018 R
45. Budget differences (continued)		
Interest Earned - Outstanding debtors: The variance is due to interest levied on outstanding study loan fees.		
Expenditure		
Depreciation: The variance is mainly due to work in progress that was completed and unbundling of Infrastructure assets.		
Debt impairment: The variance is mainly due to the write off of rural water accounts and increase in the provision for debt impairment.		
Contracted Services: The variance is mainly due to reduced expenditure on sewerage and waste disposal		
General Expenses: The variance is due to reduced expenditure on material and supply, legal fees and uniforms		
46. Surcharges and Taxes		
Water surcharges	4 072 533	4 492 333
47. Gaurantees		
Guarantee by uMhlathuze Municipality in respect of Postal Services is R 200 000.		
48. VAT payable		
VAT	14 327 754	10 601 503
49. Operating lease		
The municipality as a lessee		
At the reporting date, the municipality has an outstanding commitments under operating leases which fall due as follows:		
IT equipment	2019	2018
Within one year	3 249 736	2 306 547
In the second to the fifth year inclusive	-	7 026 041
	3 249 736	9 332 588
Operating lease payment represents rentals payments by the municipality for certain of its offices. The municipality also has current lease arrangements for three years for printers. No contingent rent is payable.		
50. Change in estimate		
Property, plant and equipment		
The municipality in the current financial year changed the estimated useful lives of certain property, plant and equipment, intangible assets and investment properties that were reaching their initial estimated useful lives. The effect of this revision has reduced the depreciation charges for the current and future periods by R6 389 551.61		

City of uMhlathuze

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements for the year ended 30 June 2019

Figures in Rand

51. Water Losses

Water losses for uMhlathuze Municipality calculated at a variable cost per kl

Total produces and purchased (KL) amounts to:	39 355 555	35 765 914
Total sold (KL)	30 236 353	28 103 435
Water loss	9 119 202	7 662 480
% Loss	23	21
Variable cost (KL)	6	5
Loss in rand value	60 733 885	35 312 400

Water Losses are attributed to the following reasons:

Non-technical reasons: Included in these losses is measured water through bulk meters supplying the Traditional Areas of Mkhwanazi South, North and Dube. However individuals are not metered yet hence not billed and therefore recorded as lost at this stage.

Technical reasons: Aged reticulation without sufficient replacement, refurbishment and maintenance.

52. Electricity Losses

Electricity losses for uMhlathuze Municipality calculated at a unit cost per kilowatt

Total purchases (KW)	1 040 169 844	1 053 954 829
Total sold (KW)	977 742 107	990 116 354
Electricity loss (KW)	62 427 737	63 838 475
% Loss (KW)	6	6
Unit Cost / KW	0.89	1.25
Loss in rand value	55 268 073	79 798 093

Electricity losses are attributable to the following reasons:

Non-technical reasons : Theft, unmetered supply and error in metering.

Technical reasons : Electrical resistivity in the network. Ageing of network without sufficient replacement, refurbishment and maintenance. Incorrect meter calibration and monitoring.

Appendix A

June 2019

Schedule of external loans as at 30 June 2019

Loan Number	Redeemable	Balance at 30 June 2018	Received during the period	Redeemed written off during the period / Interest accrued	Balance at 30 June 2019	Carrying Value of Property, Plant & Equip	Other Costs in accordance with the MFMA
		Rand	Rand	Rand	Rand	Rand	Rand
Development Bank of South Africa							
Development Bank of South Africa	103170	2018/12/31	19 916 599	-	19 916 599	-	-
Development Bank of South Africa	103494	2019/06/30	4 634 316	-	4 634 316	-	-
Development Bank of South Africa	103494	2019/06/30	15 754 356	-	15 754 356	-	-
Development Bank of South Africa			-	310 000 000	(478 504)	310 478 504	-
			40 305 271	310 000 000	39 826 767	310 478 504	-
Other loans							
Rand Merchant Bank	UMHL	2019/06/30	1 212 227	-	1 212 227	-	-
INCA		2019/06/28	31 392 374	-	31 392 374	-	-
Nedbank	05/7831/2	2019/12/31	42 887 594	-	27 802 203	15 085 391	-
Nedbank	1003878/3	2022/06/17	40 421 754	-	8 900 208	31 521 546	-
Nedbank	1003878/4	2024/06/28	60 000 000	-	9 972 247	50 027 753	-
Standard Bank	407554	2026/06/30	323 205 121	-	27 684 366	295 520 755	-
			499 119 070	-	106 963 625	392 155 445	-
Total external loans							
Development Bank of South Africa			40 305 271	310 000 000	39 826 767	310 478 504	-
Other loans			499 119 070	-	106 963 625	392 155 445	-
			539 424 341	310 000 000	146 790 392	702 633 949	-

Appendix B

June 2019

Analysis of property, plant and equipment as at 30 June 2019

Cost/Revaluation Accumulated depreciation

	Opening Balance	Acc Depr	Acquisitions	Transfers	Revaluations	Other changes, movements	Closing Balance	Opening Balance	Acquisitions	disposal	Depreciation	Impairment loss	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Land and buildings														
Land (Separate for AFS purposes)	1 267 582 533	-	-	-	-	-	1 267 582 533	-	-	-	-	-	-	1 267 582 533
Landfill Sites (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	1 267 582 533	-	-	-	-	-	1 267 582 533	-	-	-	-	-	-	1 267 582 533
Infrastructure														
Electrical Infrastructure	876 066 719	(332 375 005)	80 980 735	-	-	(5 062 145)	619 610 304	-	-	-	(23 885 309)	(418 723)	(24 304 032)	595 306 272
Storm water	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Coastal Infrastructure	36 758 777	(17 540 074)	-	-	-	-	19 218 703	-	-	-	(808 759)	-	(808 759)	18 409 944
Information and communication	81 190 420	(4 313 823)	6 673 660	-	-	-	83 550 257	-	-	-	(2 316 870)	-	(2 316 870)	81 233 387
Street lighting	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rail Infrastructure	6 106 569	(4 328 343)	-	-	-	-	1 778 226	-	-	-	(108 849)	-	(108 849)	1 669 377
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Road Infrastructure	2 363 726 162	1 520 856 037	72 943 752	-	-	-	915 813 877	-	-	-	(88 721 304)	(5 613 181)	(94 334 485)	821 479 392
Solid waste infrastructure	11 392 392	(4 636 550)	1 554 163	-	-	-	8 310 005	-	-	-	(513 304)	-	(513 304)	7 796 701
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sanitation Infrastructure	1 741 997 363	(955 567 262)	78 584 358	-	-	-	865 014 459	-	-	-	(111 742 557)	(1 020 369)	(112 762 926)	752 251 533
Storm water Infrastructure	1 140 324 688	(823 553 845)	8 136 515	-	-	-	324 907 358	-	-	-	(20 408 717)	-	(20 408 717)	304 498 641
Water Supply infrastructure	4 925 382 800	3 436 172 698	75 943 884	-	-	(8 447)	1 565 145 539	-	-	-	(114 750 344)	(1 372 439)	(116 122 783)	1 449 022 756
Security Measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	11 182 945 890	7 099 343 637	324 817 067	-	-	(5 070 592)	4 403 348 728	-	-	-	(363 256 013)	(8 424 712)	(371 680 725)	4 031 668 003
Community Assets														
Communitu facilities	260 661 737	(82 232 269)	25 185 058	-	-	(2 087 501)	201 527 025	-	-	-	(14 293 816)	-	(14 293 816)	187 233 209
Clinics/Care Centres	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Creches	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire/Ambulance Stations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Halls	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Museums & art galleries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Parks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public Ablution Facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Taxi Ranks/Bus Terminals	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sport & Recreation Facilities	228 910 680	(87 995 940)	10 084 732	-	-	-	150 999 472	-	-	-	(12 981 101)	-	(12 981 101)	138 018 371
Security and policing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	489 572 417	(170 228 209)	35 269 790	-	-	(2 087 501)	352 526 497	-	-	-	(27 274 917)	-	(27 274 917)	325 251 580

Appendix B

June 2019

Analysis of property, plant and equipment as at 30 June 2019

Cost/Revaluation

Accumulated depreciation

	Opening Balance	Acc Depr	Acquisitions	Transfers	Revaluations	Other changes, movements	Closing Balance	Opening Balance	Acquisitions	disposal	Depreciation	Impairment loss	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Heritage assets														
Buildings	2 242 681	-	-	-	-	-	2 242 681	-	-	(302 383)	-	-	(302 383)	1 940 298
Painting and art galleries	524 313	-	-	-	-	-	524 313	-	-	-	-	-	-	524 313
	2 766 994	-	-	-	-	-	2 766 994	-	-	(302 383)	-	-	(302 383)	2 464 611
Specialised vehicles														
Refuse	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets														
Computer Equipment	39 625 313	(26 032 943)	6 163 360	-	-	-	19 755 730	-	-	(291 797)	(4 138 046)	-	(4 429 843)	15 325 887
Furniture and Office Equipment	25 721 119	(15 995 292)	2 307 912	-	-	-	12 033 739	-	-	(4 214)	(2 620 231)	-	(2 624 445)	9 409 294
Computer Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Machinery and Equipment	286 170 734	(125 188 731)	45 695 691	-	-	-	206 677 694	-	-	(1 468 236)	(27 167 163)	-	(28 635 399)	178 042 295
Operational Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transport Assets	116 829 914	(58 608 454)	12 250 727	-	-	-	70 472 187	-	-	(2 626 458)	(12 690 975)	-	(15 317 433)	55 154 754
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	281 434 453	(131 269 020)	30 990 252	-	-	-	181 155 685	-	-	(597 275)	(13 699 482)	-	(14 296 757)	166 858 928
Land main investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water craft	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	177 781 911	(15 356 816)	4 439 809	-	-	-	166 864 904	-	-	-	(10 683 526)	-	(10 683 526)	156 181 378
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	927 563 444	(372 451 256)	101 847 751	-	-	-	656 959 939	-	-	(4 987 980)	(70 999 423)	-	(75 987 403)	580 972 536

Appendix B

June 2019

Analysis of property, plant and equipment as at 30 June 2019

Cost/Revaluation

Accumulated depreciation

	Opening Balance	Acc Depr	Acquisitions	Transfers	Revaluations	Other changes, movements	Closing Balance	Opening Balance	Acquisitions	disposal	Depreciation	Impairment loss	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Total property plant and equipment														
Land and buildings	1 267 582 533	-	-	-	-	-	1 267 582 533	-	-	-	-	-	-	1 267 582 533
Infrastructure	11 182 945 890	7 099 343 637	324 817 067	-	-	(5 070 592)	4 403 348 728	-	-	-	(363 256 013)	(8 424 712)	(371 680 725)	4 031 668 003
Community Assets	489 572 417	(170 228 209)	35 269 790	-	-	(2 087 501)	352 526 497	-	-	-	(27 274 917)	-	(27 274 917)	325 251 580
Heritage assets	2 766 994	-	-	-	-	-	2 766 994	-	-	(302 383)	-	-	(302 383)	2 464 611
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	927 563 444	(372 451 256)	101 847 751	-	-	-	656 959 939	-	-	(4 987 980)	(70 999 423)	-	(75 987 403)	580 972 536
	13 870 431 278	7 642 023 102	461 934 608	-	-	(7 158 093)	6 683 184 691	-	-	(5 290 363)	(461 530 353)	(8 424 712)	(475 245 428)	6 207 939 263
Agricultural/Biological assets														
Agricultural	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets														
Computers - software & programming	68 098 675	(4 594 450)	54 745 798	-	-	-	118 250 023	-	-	-	(2 168 929)	-	(2 168 929)	116 081 094
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	68 098 675	(4 594 450)	54 745 798	-	-	-	118 250 023	-	-	-	(2 168 929)	-	(2 168 929)	116 081 094
Investment properties														
Investment property	94 072 539	(5 897 063)	-	-	-	-	88 175 476	-	-	-	(534 238)	-	(534 238)	87 641 238
	94 072 539	(5 897 063)	-	-	-	-	88 175 476	-	-	-	(534 238)	-	(534 238)	87 641 238
Total														
Land and buildings	1 267 582 533	-	-	-	-	-	1 267 582 533	-	-	-	-	-	-	1 267 582 533
Infrastructure	11 182 945 890	7 099 343 637	324 817 067	-	-	(5 070 592)	4 403 348 728	-	-	-	(363 256 013)	(8 424 712)	(371 680 725)	4 031 668 003
Community Assets	489 572 417	(170 228 209)	35 269 790	-	-	(2 087 501)	352 526 497	-	-	-	(27 274 917)	-	(27 274 917)	325 251 580
Heritage assets	2 766 994	-	-	-	-	-	2 766 994	-	-	(302 383)	-	-	(302 383)	2 464 611
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	927 563 444	(372 451 256)	101 847 751	-	-	-	656 959 939	-	-	(4 987 980)	(70 999 423)	-	(75 987 403)	580 972 536
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	68 098 675	(4 594 450)	54 745 798	-	-	-	118 250 023	-	-	-	(2 168 929)	-	(2 168 929)	116 081 094
Investment properties	94 072 539	(5 897 063)	-	-	-	-	88 175 476	-	-	-	(534 238)	-	(534 238)	87 641 238
	14 032 602 492	7 652 514 615	516 680 406	-	-	(7 158 093)	6 889 610 190	-	-	(5 290 363)	(464 233 520)	(8 424 712)	(477 948 595)	6 411 661 595

Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003
June 2019

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed / w	
		Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Dec	Mar
Museum Subsidy	KZN - Dept of Edu & Culture	-	192 000	-	-	388 672	414 076	459 263	459 263	-	-
Housing operationa acc	KZN - Dept of Housing	1 155 111	896 166	1 395 797	-	3 219 488	3 254 569	3 272 640	3 196 096	-	-
Municipal Infrastructure Grant	National Treasury	30 000 000	40 000 000	34 604 000	-	20 709 827	21 546 926	22 504 993	39 842 254	-	-
Financial Management Grant	National Treasury	2 650 000	-	-	-	296 294	217 457	1 419 896	644 353	-	-
Equitable share EPWP	National Treasury	135 940 000	108 752 000	81 563 000	-	-	-	-	-	-	-
Infrastructure Skills Development Grant	National Treasury	1 298 000	2 335 000	1 556 000	-	1 604 092	1 802 741	1 700 978	81 189	-	-
		2 300 000	-	-	-	1 166 301	1 133 699	-	-	-	2 700 000
Municipal Systems Improvement	National Treasury	-	-	1 055 000	-	-	-	-	255 000	-	-
Waste Water Infrastructure Electrification	National Treasury	-	-	-	-	-	-	-	-	-	-
		2 000 000	2 000 000	2 000 000	-	955 659	3 673 460	179 750	191 131	4 919 600	-
eSikhawini hostel refurbishment	KZN - Dept of Hosing	23 304	27 407	28 484	29 543	-	-	-	-	-	-
INEP	National treasury	-	-	-	-	-	-	2 039 102	611 067	-	-

Beach Protection	KCDM	130 000	-	-	-	-	-	-	-	-	-	-
Funeral Speaker	KZN - Dept of Hosing	-	-	-	-	-	-	-	-	-	-	-
Libraries - Internet Access	KZN - Dept of library services	-	1 576 000	-	-	302 639	273 663	295 181	279 056	-	-	-
Library Subsidy	KZN - Dept of library services	-	8 275 000	-	-	3 140 379	3 413 319	3 084 665	3 149 855	-	-	-
Career Expo	Dept of public works	-	-	-	-	-	-	-	-	-	-	-
Asset Donated	Dept of Arts & Culture	-	-	-	-	-	-	-	-	-	-	-
Asset Donated	Dept of sport	-	-	-	-	-	-	-	-	-	-	-
Richards Bay Airport	KZN - Economic Development & Tourism	-	-	-	-	-	-	-	184 494	-	-	-
Service delivery on Electrical Services	KZN - COGTA	-	-	-	-	-	-	-	-	-	-	-
Informal trading stalls	KZN - COGTA	-	-	-	-	-	-	-	-	-	-	-
Tourism Development	KZN - COGTA	-	-	-	-	-	-	-	-	-	-	-
Municipal Excellence Award	KZN - COGTA	-	-	-	-	-	-	-	-	-	-	-
Implement of the enhanced discount benefit	KZN - Housing	3 238	3 273	3 411	50 313	-	-	-	24 000	-	-	-
Comm Dev Programme	KZN - COGTA	-	-	-	-	-	-	-	-	-	-	-
GIS	KZN - COGTA	-	-	-	-	-	-	-	-	-	-	-
Sport & Rec	Dept of Sport	2 616 500	50 000	2 616 500	2 616 500	1 729 129	1 217 115	-	2 924 826	-	-	-
Cleanest town	Water Affairs	-	-	100 000	-	-	-	-	96 290	-	-	-
Restructuring grant	National Treasury	-	-	-	-	-	-	-	-	-	-	-
		178 116 153	164 106 846	124 922 192	2 696 356	33 512 480	36 947 025	34 956 468	51 938 874	4 919 600	2 700 000	

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.